EXECUTIVE BOARD MEETING

EBS/20/195

December 21, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Myanmar—Requests for Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Tuesday, January 12, 2021**
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Questions:	Mr. Peiris, APD (ext. 34761) Mr. Deb, APD (ext. 39577) Mr. Muir, APD (ext. 35343)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—ASEAN+3 Macroeconomic Research Office, Asian Development Bank, Asian Infrastructure Investment Bank, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

MYANMAR

December 21, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

EXECUTIVE SUMMARY

Context: With the economy already slowing due to the COVID-19 pandemic in FY2019/20, a more intense second wave has hit Myanmar hard, inflicting large economic and social costs and straining the frail healthcare system. The needed strict lockdown measures have hurt manufacturing and spending further, while weak external demand has weighed on exports and tourism, though the kyat continued to appreciate as remittances remained robust. In FY2020/21, growth will decelerate further to 0.5 percent and open up external and fiscal financing gaps of about US$1 billion. The IMF's RCF/RFI disbursement of 50 percent of quota (SDR 258.4 million) in June helped support the authorities' policy response for FY2019/20, particularly for social and health spending, kept monetary financing within target, and catalyzed financing from external partners, including through the Debt Service Suspension Initiative (DSSI).

Policy Response: The authorities reiterated their commitment to the policies discussed in IMF Country Report 20/215 following the outcome of the November elections. In response to the second wave, the new administration is drawing up the Myanmar Economic Resilience and Reform Plan (MERRP) that builds on the emergency fiscal, financial and monetary measures under April's COVID-19 Economic Relief Plan (CERP). The MERRP extends relief measures while adding macroeconomic and financial stability measures to guide the recovery. Additional tax and utility deferrals, soft loans, and cash transfers are planned to support affected sectors and vulnerable groups, along with a continuation of measures to support credit and liquidity. Myanmar has made significant progress in implementing the spending transparency commitments made in the LOI for the first RCF/RFI request and efforts are ongoing to extend support equitably across the country, including to conflict regions and ethnic minorities.

Request for Fund Resources: The authorities have requested additional Fund assistance to be used as budget support in FY2020/21. Staff assesses that Myanmar meets the eligibility requirements for the blend Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) and supports a purchase and outright disbursement of SDR 258.4 million (50 percent of quota) on account of present and urgent balance of payments needs. The access level would cover 38 percent of the external financing gap and is expected to catalyze external support. The authorities have requested debt service suspension under the DSSI. Public debt is assessed as sustainable with low risk of debt distress, and there is adequate capacity to repay the Fund.

Approved By
Kenneth H. Kang and Johannes Wiegand

An IMF team consisting of S. Peiris (head), J. De, P. Deb, D. Muir, S. Nadeem, and U. Rawat (all APD), Y. Xiao (FAD), S. Iorgova (MCM) and N. Saker (IMF Resident Representative) and K. Tun (Resident Representative Office) held discussions with the Myanmar authorities by teleconferences led by Union Minister of Planning, Finance and Industry U Soe Win, and Central Bank of Myanmar Governor U Kyaw Kyaw Maung and other senior government officials during November 18−24, 2020. Advisors from the IMF Capacity Development Office in Thailand (CDOT) joined the technical discussions. A. Mahasandana (Executive Director) and M. Soe (OED) participated in the discussions. Ms. Dao and Ms. Tanseco assisted in preparing this report.

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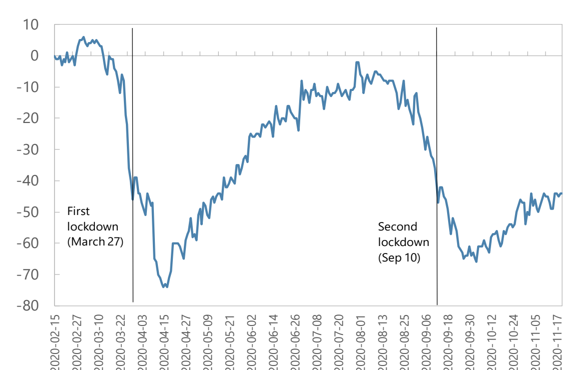
CONTEXT

1. In response to the COVID-19 outbreak in March/April, the IMF Board approved Myanmar's RCF/RFI request on June 26, 2020 to meet urgent external and fiscal financing needs (IMF Country Report 20/215). The first wave of infections in March prompted strict containment measures that were gradually relaxed as the spread of the virus abated (Text chart 1). Nevertheless, the resulting growth slowdown and policy response in FY2019/20 generated external and fiscal financing needs.[1] The RCF/RFI disbursement of 50 percent of quota (SDR 258.4 million) helped meet the financing gap while limiting excessive monetary financing, mobilized health and social spending, catalyzed external financing (including from ADB and Japan), and allowed Myanmar to avail of the DSSI.

2. Myanmar is now facing a more intense second wave. As of December 2, Myanmar had reported 92,189 cases and 1,972 fatalities, as the caseload rose over tenfold since end-August (Text chart 2). The outbreak was concentrated in the commercial center Yangon, but has spread to other areas, stretching the limited testing and health system capacity (Figure 1). Containment measures included restrictions on factories (impacting the export-dependent garment sector) and intra- and inter-city movement, though some domestic mobility restrictions were eased prior to the November 8 elections (Text chart 1); restrictions on international flights continue to be in place (Figure 2).

Text Figure 1. Myanmar: Retail and Recreation Mobility

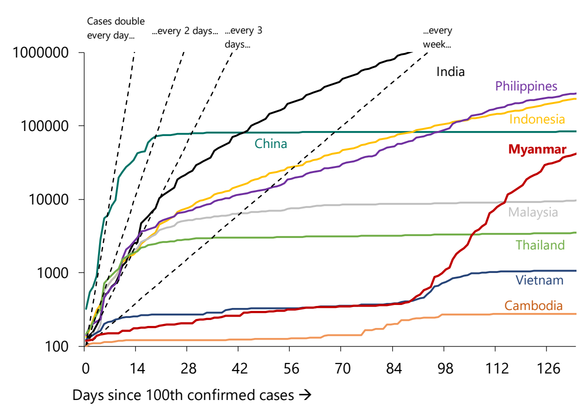
(Percentage change relative to baseline)



Sources: Google COVID Community Reports

Text Figure 2. Myanmar: Cumulative Confirmed Cases, Selected Asia

(Log scale)



Sources: Johns Hopkins University; and IMF staff calculations.
Note: As of 12/01/2020.

3. The governing National League for Democracy (NLD) comfortably won the November general elections and policy continuity is expected. A new Cabinet and Parliament are to be sworn in by March 2021, with limited changes expected to key positions. However, the growing impact of COVID-19 and continued discontent of ethnic groups in parts of the country where

[1] The fiscal year covers the period starting October 1 to September 30. This report uses this definition of the fiscal year for both historical data and projections.

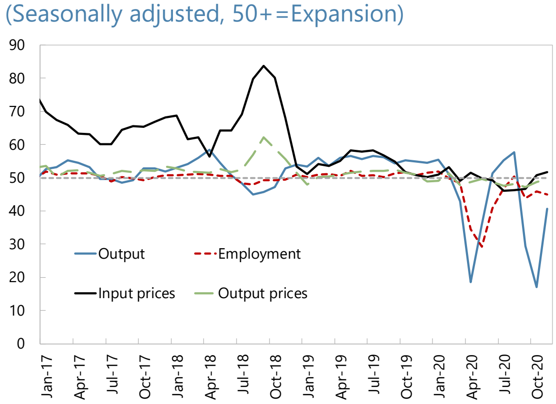
elections were not held due to security reasons resulted in disenfranchisement of certain groups. This, along with long-standing ethnic tensions and regional disparities, may necessitate a decisive and more inclusive policy response. As a fragile state facing internal conflict and continued international scrutiny over the ongoing humanitarian crisis in Rakhine State, execution of the needed policy agenda will be challenged by capacity and governance weaknesses.

IMPACT OF THE PANDEMIC AND OUTLOOK

A. Impact of the COVID-19 Outbreak and Response

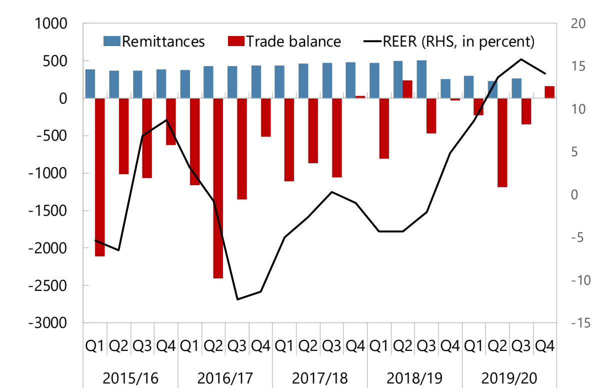
4. **The impact of the first COVID-19 outbreak was less severe than expected**. With the first wave of infections quickly contained, GDP growth in the first three quarters of FY2019/20 was stronger than expected. Preliminary estimates suggest that Q4 growth weakened bearing the impact of the September's second wave (Text chart 3). Overall, growth is projected at 3.2 percent for the year (relative to 1.4 percent at the first RCF/RFI request), a sharp decline from 6.8 percent in FY2018/19. Inflation continued to fall to 2 percent y/y in September on lower food and fuel prices. The current account deficit was lower than expected at 3.5 percent of GDP as gas exports and remittances held up better than expected. The REER has also continued to appreciate (10.4 percent year to date), reflecting a contained trade balance and higher remittances. Remittances transferred through the banking system partly reflect a switch to formal channels due to reduced transfer costs as well as temporary factors (Text chart 4). The stronger than expected current account, the RCF/RFI disbursement, and the asymmetric FX intervention strategy helped raise gross international reserves to US$6.7 billion (4.7 months of imports) as of September 2020. However, reserves remained below the US$6.84 billion (5 months of imports) projected in IMF Country Report 20/215, as approved disbursements from ADB, JICA and the World Bank are now expected in FY2020/21.

Text Figure 3. Myanmar: PMI
(Seasonally adjusted, 50+=Expansion)



Sources: IHS Markit; and Haver Analytics.

Text Figure 4. Myanmar: Remittances, trade balance and kyat appreciation
(In millions of U.S. dollars)



Sources: Myanmar authorities; CEIC Data Co.; and IMF staff estimates.

5. **Credit growth is slowing while deposits have held up**. The extended phase-in period for compliance with prudential regulations to August 2023 and the temporary reduction in the reserve requirement ratio has eased pressure on banks. All banks unwound their reliance on the discount

window, which they tapped in response to tightened liquidity conditions during March-April 2021. Nevertheless, with the weak economy, private sector credit growth continues to slow, reaching 12.2 percent y/y as of end-July 2020 from 16.1 percent in September 2019 driven by a deceleration in construction and agriculture. Deposit growth has remained robust at about 19 percent as of end-August. Broad money growth has remained below target (15 vs. 20 percent targeted) reflecting slowing private sector credit, while reserve money growth has been stronger than anticipated (16.2 vs. 9 percent targeted) driven by demand for cash.

6. The fiscal deficit for FY2019/20 was likely lower than expected and monetary financing was curtailed below target. Tax revenues held up better than anticipated, especially in the last quarter, despite the weak economic environment and relief measures. Gas revenues were also stronger than expected while spending underperformed due mainly to capital budget execution delays. As a result, the fiscal deficit is estimated to be about 1 percent of GDP lower than projected in the last RCF/RFI request. A supplementary budget introduced spending re-allocation to establish a COVID-19 Contingency Fund. As planned, the RCF/RFI first disbursement helped finance COVID-19 related expenditures (Text table 2). With the RCF/RFI disbursement and increased domestic bank financing, and notwithstanding lower external financing, preliminary estimates suggest that financing by the Central Bank of Myanmar (CBM) of the deficit was limited at about MMK 700 billion (3.6 percent of previous year's reserve money), below the MMK 1.3 trillion ceiling. In anticipation of the pickup in spending at the end of the fiscal year, the Treasury was successfully able to issue T-bills to banks, avoiding the spike in monetary financing that occurred in late FY2018/19. The estimated savings from the DSSI in FY2019/20 were lower than expected (US$114 million vs. US$322 million estimated), reflecting ongoing negotiations with creditors.[2]

7. As the economy faces the second wave, the authorities have announced the Myanmar Economic Resilience and Reform Plan (MERRP). The still evolving plan extends the CERP's main elements while adding broader policy priorities to complement the Myanmar Sustainable Development Plan (MSDP). Macrofinancial policies to secure stability and aid the recovery including further monetary easing if conditions require, advancing tax reforms, and leveraging mobile financial services and digital payments to facilitate the scaling up of cash transfers. Other measures undertaken include the extension of electricity tariff exemptions for households and continued tax deferrals for small businesses and vulnerable sectors.

B. Outlook and Risks

8. The latest outbreak will weigh heavily on FY2020/21 growth. The baseline assumes that, consistent with the experience of other similar Asian economies, the second wave is contained, and restrictions gradually eased, with a recovery in economic activity beginning by the end of 2020. However, given the importance of the first quarter in growth contributions and consistent with cross country models of the impact of lockdowns calibrated for Myanmar, growth is expected to fall to

[2] The authorities continue to negotiate and sign bilateral debt suspension agreements with various Paris Club creditors. As of October, Germany has signed an agreement while Austria, Finland, France, Japan, Korea, Netherlands and the UK are in various stages of negotiations. The authorities are also in discussions with China and India. Debt suspension in FY2020/21 covers eligible debt service due from October 2020 to June 2021 and assumes comparability of treatment among creditors.

0.5 percent for FY2020/21 compared to 6 percent previously.[3] As before, the economic fallout will likely be disproportionality felt by lower income groups, SMEs with volatile income and limited cash buffers and those in conflict regions. Inflation will gradually rise to 5.4 percent by the end of the fiscal year as growth recovers and given higher food and fuel prices. Growth is expected to rebound to 7.9 percent in FY2021/22 reflecting the gradual recovery and strong base effects, though there will be permanent losses in medium term output risking poverty gains, owing to the impact of the second wave and economic scarring, compounded by macrofinancial fragilities (Figure 3).

9. The current account deficit is expected to widen from 3.5 to 4.4 percent of GDP. Exports, particularly garments, are projected to decline due to continued disruptions in production and weak external demand, while imports are expected to rise including from COVID-related imports of medical supplies and rising capital goods. Tourism receipts are expected to remain weak, while remittances are expected to fall as migrant workers face uncertainty due to prolonged lockdown. On the financing side, FDI will pick up as projects slowly resume, as suggested by approvals data, while external financing is expected to be bolstered by disbursements approved in the previous fiscal year. In sum, an external financing gap amounting to 1.1 percent of GDP (US$1 billion) is expected in FY2020/21 (vs. 1 percent of GDP or US$0.8 billion expected in IMF Country Report 20/215, Text Table 1).

10. With the economic recovery impeded by the second wave, FX reserves need to be bolstered to adequate levels. Although reserves rose from 4 months of imports at end-FY2018/19 to 4.7 months of imports at end-FY2019/20, they remain below the recommended adequacy range and level envisaged in the first RCF/RFI.[4] Given fresh strains on the already fragile economy, ongoing uncertainty around the resolution of the pandemic, and Myanmar's lack of market access, reserves should rise modestly to 5 months of imports or 12 percent of broad money. Absent additional financing, reserves would remain at 4.7 months of imports in FY2020/21; Fund financing would help lift this to desired levels, while potentially catalyzing additional external financing in the near term. Should there be a shortfall in external financing, planned capital spending projects could be postponed. Over the medium term, maintaining reserves at 5 months of imports will depend on adhering to the post-crisis macroeconomic framework as per Table 6 and continued concessional external borrowing.

11. Continued strains on revenues and higher needed spending will widen the fiscal deficit in FY2020/21, requiring additional financing. Subdued gas exports and tax relief measures will weigh on revenues (about ½ percent of GDP compared to previous year), while policies to mitigate the outbreak's economic impact and bolster healthcare and infrastructure (at a larger scale than in FY2019/20, see ¶15), as well as the decision to extend the FY2019/20 budget execution to end-2020, are expected to raise expenditures by about ½ percent of GDP. In sum the FY2020/21 fiscal deficit will widen by about 1 percent of GDP over the previous year to nearly 6 percent of GDP, opening up

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[3] The economic impact of the lockdowns, including the second wave, is calibrated using the Pandemic Impact Framework Tool developed by IMF's Research Department. The tool is available here: Economic Impact of the Coronavirus.

[4] Staff estimate optimal reserve coverage for Myanmar to be around 5−6 months of import coverage based on past analysis (see IMF Board Paper and Country Report No. 17/30) as well as the Reserve Adequacy Metric for Credit Constrained Economies and LICs.

a fiscal financing gap of 1.1 percent of GDP (US$1 billion). IMF financing, together with additional external support and the DSSI, would mitigate the risk of excessive monetary financing and finance needed social spending to respond to the second wave of infections.

12. Risks to debt sustainability remain contained. Despite the expected increase in the current account and budget deficits and additional borrowing, external and public debt should remain robust to shocks and the overall risk of debt distress low. In present value terms, the external debt to GDP ratio is expected to decline from 11.3 percent in FY2019/20 to 9.3 percent by FY2029/30, while the public debt to GDP ratio should stabilize after peaking in 2026, starting at 36.1 percent in FY2019/20 and ending at 35.3 percent in FY2029/30 (see DSA for more detail).

Text Table 1. Projected Financing Gap in FY2020/21

(In percent of GDP, unless otherwise indicated)

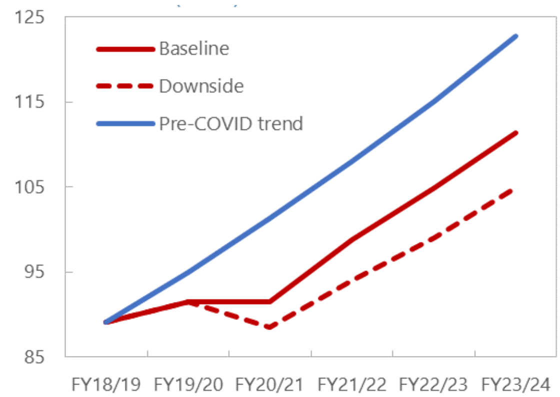
Balance of Payments	RCF/RFI	Current Projection	Change	Fiscal Accounts	RCF/RFI	Current Projection	Change
Current Account	-4.2	-4.4	-0.1	Revenues	14.7	15.1	0.4
				o/w COVID-19 response	-0.1	-0.3	-0.2
Financial inflows	-4.4	-4.8	-0.4	Recurrent expenditure	14.1	14.7	0.6
FDI	-2.9	-2.8	0.2	o/w COVID-19 response	0.9	1.3	0.5
Portfolio investment, net	0.0	0.0	0.0	Net Acquisition of nonfinancial assets	6.3	6.3	0.0
Other investment, net[1/]	-1.5	-2.0	-0.5	Overall balance (net lending/borrowing)	-5.8	-6.0	-0.2
BOP financing gap	0.2	0.4	0.2	Pre-covid financing	6.0	6.1	0.1
Change in reserves (- accumulation)	-1.2	-1.6	-0.4	Net acquisition of financial assets	0.1	0.1	0.0
				Net incurrence of liabilities	5.9	6.0	0.1
				Foreign borrowing	1.9	2.5	0.7
				Domestic borrowing	4.0	3.5	-0.5
Residual BOP financing gap	1.0	1.1	0.1	Residual fiscal financing gap	1.0	1.1	0.1
Identified financing	0.5	0.9	0.4	Identified financing	0.5	0.9	0.4
IMF	0.0	0.4	0.4	IMF	0.0	0.4	0.4
DSSI	0.1	0.4	0.3	DSSI	0.1	0.4	0.3
Other	0.4	0.0	-0.4	Other	0.4	0.0	-0.4
Unidentified financing	0.5	0.3	-0.2	Unidentified financing	0.5	0.3	-0.2

1/ Includes ADB, JICA, and World Bank loans (0.7 percent of GDP) approved in FY19/20 but to be disbursed in FY20/21.

13. The prolonged outbreak will further raise credit risks and recapitalization needs in the banking sector. The forbearance period on compliance with prudential regulations is too long and will ultimately raise recapitalization costs unless critical banking sector reforms are brought forward and sequenced appropriately depending on how the pandemic evolves. A healthy and well capitalized banking system is a pre-requisite to minimize scarring from the pandemic and support a sustained recovery over the medium term.

14. Risks remain tilted heavily to the downside (Annex 1). Prolonged prevalence of the virus that requires more frequent or severe lockdowns would bring the economic recovery to a standstill, raising economic and human costs and risks of social pressures. In such an adverse scenario, assuming lockdowns need to be maintained until March 2021, growth could fall by an additional 3½ percentage points in FY2020/21 (Text chart 5). Although the near-term growth impact is driven by the lockdown measures, such disruptions are likely to interact with banking system fragilities and further depress demand and credit growth (Figure 3 and DSA; see also IMF Country Report 20/88), potentially requiring public recapitalization of one or more systemic banks and resulting in further scarring. The effects of such an interaction would be long-lasting, with a slow recovery of output relative to the baseline, and potentially require additional Fund support. On the upside, the swift availability of an effective vaccine could provide a boost to demand and sentiment.[5]. On the external front, a more prolonged global outbreak could keep external demand subdued, bringing supply chain disruptions, weak remittance inflow and FDI, and tighter and more volatile financial conditions.

Text Figure 5. Myanmar: Real GDP Index, Baseline vs. Downside Scenario



Source: IMF staff calculations.

POLICY ISSUES AND DISCUSSIONS

A. Fiscal Policy

15. Increased fiscal spending should be focused on containing the fallout of the virus' second wave, boosting healthcare, and providing transfers to affected and vulnerable groups. A large fiscal response is ideal given the second wave and its likely impact on the population and economy. However, since the large downward revision to growth is temporary and a recovery is expected in Q2, and given the authorities' capacity to quickly implement countercyclical spending increases is constrained, a larger spending increase than projected in ¶11 to mitigate the sharp fall in demand may not be feasible. However, additional fiscal stimulus would be required should growth fall further. In FY2019/20, in response to COVID-19, revenue measures, budgeted expenditure, health services expansion, and support to household and businesses amounted to 1.2 percent of GDP. Going forward, the authorities have included 2.2 percent of GDP in COVID-19 related measures in the FY2020/21 budget toward health spending, greater appropriations to social sectors, and relief for vulnerable households and businesses, while extending the existing tax relief and household electricity tariff exemptions to December 2020 (Text Table 2). Part of the additional spending will be financed through expenditure reallocation and budget support from ADB and JICA. A Steering Committee will be formed to guide and monitor recovery plan implementation, as well as coordinate with development partners providing support.

[5] The authorities have submitted application for access through the COVAX Advance Market Commitment to cover 20 percent of the population on a subsidized basis (expected to be prioritized for the most vulnerable and elderly, subject to logistics). In addition, they are in discussion with the ADB and World Bank for cost share contributions to purchase supplemental – above the 20 percent allocation – via the COVAX facility, which would cover 40 percent of the population by end-2021. Moreover, an additional 20 percent coverage is planned for 2022 through additional purchases.

Text Table 2. Myanmar: Estimated Costs of Major Fiscal Measures in FY2019/20 and FY2020/21

		2019/20		2020/21	
		US$ millions	% of GDP	US$ millions	% of GDP
Revenue	Tax waiver and credits, household electricity tariff relief	190	0.2	266	0.3
Expenditure		564	0.7	1134	1.4
Health	Health facilities, medical products for COVID-19	189	0.2	232	0.3
Social assistance	Cash transfers, food, cash-for-work, pension support, health benefit extension	310	0.4	404	0.5
Other	Support for agriculture and businesses	65	0.1	52	0.1
Lending	On lending to support SME, MFI, small farmers, trade financing	212	0.3	481	0.6
Total		966	1.2	1881	2.2

16. Social protection remains inadequate and should be expanded (Figure 4). Full implementation of the 2012 Social Insurance law should be pursued to gradually establish a safety net for formal workers. In response to COVID-19, the government expanded the existing Maternity and Child Cash Transfer (MCCT) program in July 2020 and initiated general food and cash transfers to the vulnerable population including informal workers (see Box 1). The additional MCCT distributions have been concentrated in regionally disadvantaged and conflict regions such as Chin and Rakhine according to UNICEF data. Preliminary regional distribution information on the unconditional cash transfers show that the government may have achieved its objective of a broad coverage aiming for nearly half the population with small ($15–20) multiple distributions of roughly the same amount per recipient household in all regions. The cash transfers have covered all regions including ethnic minority regions, albeit with an uneven distribution. An external survey also showed a wide distribution across urban, rural and different types of households with nearly half of all households confirming receipt of cash transfers, although asset rich households also appear to be receiving significant transfers, suggesting scope for improved targeting of the poor.

17. To fill the fiscal financing gap, external concessional borrowing should be prioritized to limit excessive monetary financing. Gross CBM financing of the fiscal deficit for FY2020/21 is projected at around 4 percent of previous years' reserve money and 20 percent of total domestic financing; keeping it at a prudent level as observed in FY 2019/20. In staff's view, CBM financing should be limited to below 5 percent of previous year's reserve money and gradually phased out thereafter to safeguard external stability.[6] These constraints on financing highlight the need to carefully track spending execution and prepare contingency plans to rationalize expenditures and mobilize revenues if the yet to be identified financing is not forthcoming or in case the adverse scenario materializes.

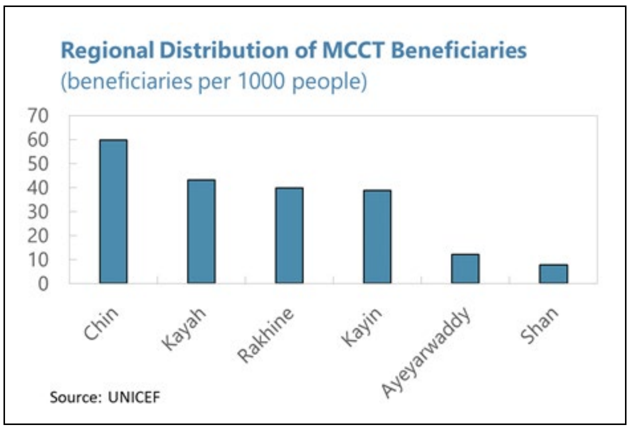
[6] The 5 percent target is based on Myanmar's historical experience with inflation and FX depreciation episodes; and incorporates observed non-linearities in the data.

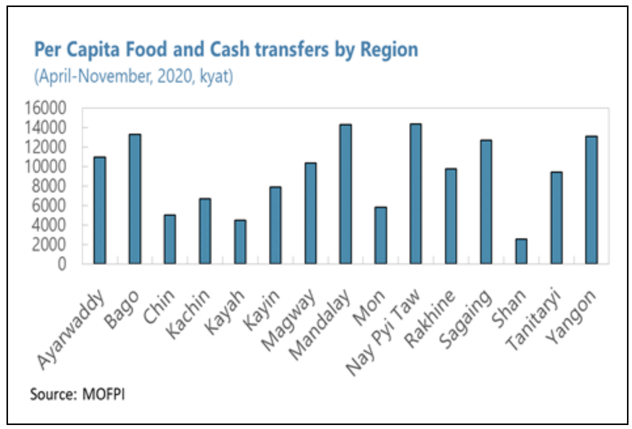
Box 1. Cash and In-Kind Transfers in Response to COVID-19 Crisis

To ease the impact of COVID-19, CERP envisages cash and in-kind transfers to the most vulnerable and affected households including internally displaced persons (IDPs). The authorities' capacity to reach targeted households is constrained: formal social safety nets are limited, a comprehensive database of potential beneficiaries in the informal sector is lacking, target households are geographically dispersed, a large share of households do not have access to bank accounts, and the government has limited experience in large scale cash transfers.

Against this background, the authorities aimed to first to provide immediate in-kind transfers to the most vulnerable households and then provide cash transfers through mobile financial services with as wide a coverage as possible in small amounts, in line with international best practice. To screen for eligibility, the General Administration Department (GAD) conducted questionnaire-based means-tests to assess household vulnerabilities based on socioeconomic status. For eligible households, cash transfers were implemented through electronic payment system (mobile app), where beneficiaries could collect payments at nearby agents, as well as direct cash payments.

Since April, the government has spent over 400 billion kyat (⅓ percent of GDP) in transfers, reaching 5.6 million households, about half of total households in Myanmar. The programs have reached all regions —experience of the Maternity and Child Cash Transfer (MCCT) program indicates the capacity to reach the conflict regions such as Chin, Rakhine and Shan states, as well as the population affected the most by COVID-19 infections and restrictions (such as in the Yangon area). An independent survey by the International Food Policy Research Institute indicates that poverty has risen sharply due to COVID-19, and that cash and food transfers have reached both the rural areas and poor households, albeit with limited progressivity.





- In Myanmar New Year holidays lockdown period (April 10-20), in-kind assistance of five basic foods (rice, edible oil, salt, onion and peas) worth 71.1 billion kyat was provided to 5.3 million households.
- During June-July 2020, GAD provided two cash transfers for households without regular income totaling 218.1 billion kyat of 20,000 kyat ($15) per household, reaching 5.4 million households, followed by another cash such transfer in September worth 113.5 billion kyat for 5.6 million households.
- The Ministry of Social Welfare, Relief and Resettlement provided cash assistance of 30,000 kyat ($20) each to pregnant women and children under age 2 at IDP camps in Kachin and Shan states, senior citizens aged 85 and above, and 457,000 pregnant women. The cash for works program started in June in some regions for small farmer families.

A new round of cash transfer has started in mid-November with an allocation of 164 billion kyat. These transfers have targeted those regions most affected by the second wave of the virus spread. Going forward, larger scale transfers would make a greater dent in mitigating poverty while a further expansion of MCTT would reach the most vulnerable. The eligibility criteria for such programs should be further refined with the support of development partners such as ADB and the World Bank to better target the poor only and reach all regions of the country including conflict areas.

18. The authorities will avail of the extended DSSI, with potential external debt service savings of US$367 million in FY2020/21. This is higher than the US$67 million expected due to the extension of the DSSI to June 2021. Staff assesses the increase in gross financing needs following the expiration of the DSSI to be manageable. The authorities commit to the DSSI requirements as under the previous RCF/RFI (¶5, Letter of Intent (LOI), Appendix 1).

19. The authorities have undertaken several measures to boost spending efficiency and support good governance (see IMF Country Report 20/215; ¶6 LOI), including:

- *Improved accounting, monitoring and reporting of COVID-related expenditures*. Quarterly reports on the Ministry of Planning, Finance and Industry (MOPFI) website on all COVID-related expenditures have been published online.

- *Audit COVID-related expenditures*. An agreement between the Office of the Auditor General for Myanmar (OAGM) and MOPFI has been reached on financial auditing of CERP-related expenditures using a risk-based approach with development partner assistance, and a report is to be disseminated as scheduled by March 2021.

- *Strengthen procurement disclosure.* A report with the information agreed on procurement contracts above MMK 100 million and ex-post delivery has been published on the MOPFI website within the three-month deadline, with unit prices where such a breakdown is available. The coverage of procurement information disseminated will be widened beyond COVID-spending to mid-sized procurements, starting with a few key ministries on a pilot basis, with the assistance of the World Bank under the PFM II operation being negotiated.

- *Debt transparency.* The authorities have and will continue publishing comprehensive public debt data through their annual Government Debt Report in accordance with the Public Debt Management Law including information on external debt guarantees.

20. Efforts to improve cash management and coordination between Treasury and CBM should continue. This will help support debt management and reduce the risk of surges in monetary financing. Recent progress includes development of a cash planning model and initial steps in the development of a Treasury Single Account-lite in collaboration with the World Bank.

21. There is a need to develop a framework for analyzing, monitoring, and reporting fiscal risks. This could prioritize an initial assessment of risks from macro critical state economic enterprises (SEEs) and public private partnerships (PPPs), government contracts, and domestic debt guarantees to produce a fiscal risk statement, to be reported annually to Parliament by the end of the fiscal year, while putting in place a database to begin recording and publishing contingent liabilities. Additional risks from COVID-19 measures (e.g., soft loans and credit guarantees) and the banking sector should be carefully monitored.

22. Well-sequenced tax and PFM reforms will support rising development expenditures needs over the medium term. COVID-related tax and tariff exemptions should be temporary. Given capacity constraints and the administrative reforms already underway, the near term focus should be on the Income Tax Law (ITL), followed in due course by the envisaged commercial tax amendment and the transition to the VAT over the medium term in sync with the rollout of Integrated Tax Administration System. The petroleum and mining fiscal regime should continue to be strengthened with elements of best practices embodied in the tax legislation, including in the ITL, supported by the new model production sharing contracts. The next phase of PFM reforms building on the findings of the Public Expenditure and Financial Accountability Framework should progress, particularly through the World Bank's PFM project.

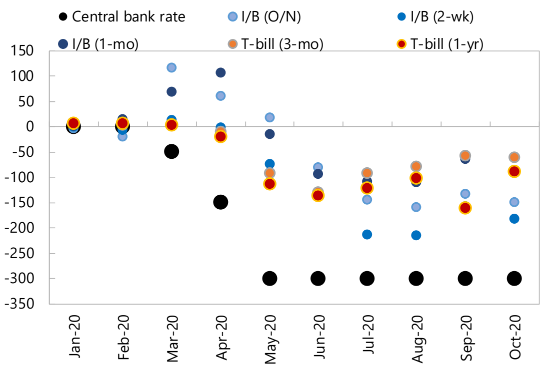
B. Monetary and Exchange Rate Policy

23. The CBM has maintained an appropriately accommodative stance. The policy rate has been cut by a cumulative 300 bps since the initial outbreak to 7 percent. The CBM has also extended the temporary reduction in the reserve requirement (RR) ratio to end-March 2021, temporarily suspended deposit auctions and raised the weight of long-term government securities in banks' liquidity ratio calculations to facilitate domestic debt issuance and liquidity, and introduced an FX swap facility for foreign banks. The temporary reduction in the RR ratio and higher weight on long-term government securities should be unwound when conditions permit as they are not appropriate from a prudential perspective. With the policy rate cuts yet to fully pass-through to the economy (Text chart 6), and in view of a subdued and uncertain outlook, the monetary stance remains appropriate, and should be reviewed periodically. Should growth decline further, deeper cuts in the interest rate will need to be carefully weighed against the risk of eroding depositor confidence. Given Myanmar's experience with reserve money growth, the targeted decline in monetary financing to below 5 percent of last year's reserve money will help realize the 2020/21 monetary aggregates targets and preserve external stability.

24. Monetary operations should be upgraded to ensure ample liquidity while strengthening the monetary policy framework. The monetary policy framework should be clarified by articulating a broad inflation objective and constituting a monetary policy committee to periodically review and communicate the policy stance. The CBM should further refine the operational framework by facilitating credit auctions and repos, improving deposit auctions, clearly distinguishing the discount window from an emergency liquidity assistance (ELA) facility, and introducing an interest on excess reserves framework when conditions permit; while strengthening liquidity forecasting to guide interbank rates.

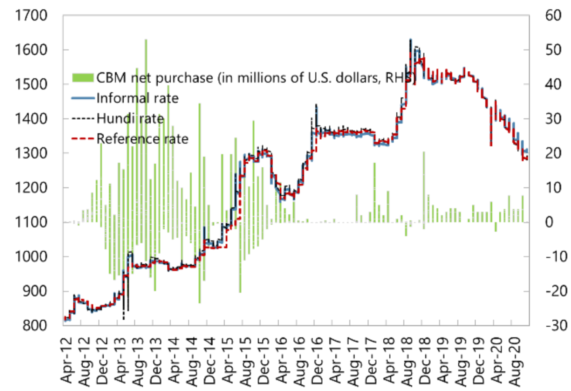
25. Exchange rate flexibility will help cushion against the external shock, while FX reserves should increase. FX purchases activated by the recently adopted intervention rule supported by Fund TA is to be commended (Text chart 7). The recent appreciation pressures may turn out to be temporary as imports recover and remittances fall back. With the exchange rate broadly aligned with fundamentals (see IMF Country Report 20/88) and reserve coverage remaining inadequate, FX intervention should continue and potentially be expanded to support reserve accumulation and limit excessive exchange rate volatility and disorderly market conditions. This would also provide a buffer in case of any shortfall or delay in external financing.

Text Figure 6. Myanmar: Interest Rates: Cumulative Change since Dec 2019
(In basis points)



Source: Central Bank of Myanmar.

Text Figure 7. Myanmar: FX Intervention
(Kyat/U.S. dollar)



Source: Central Bank of Myanmar.

C. Financial Sector Policies

26. The phased-in compliance with prudential regulations should be based on the progression of COVID-19. Giving banks flexibility on meeting prudential requirements up to August 2023 may undermine confidence in the banking system and raise further potential public recapitalization needs. The CBM should require banks to design policies and procedures for approving, monitoring and prudently and proactively restructuring loans related to COVID-19, based on forward looking assessments of economic conditions and borrowers' credit risk profiles. It should also clarify the need to differentiate clearly between borrowers who are suffering from temporary setbacks due to COVID-19 and borrowers who are unviable irrespective of COVID-19. To this end, loans that were classified as NPLs as of March 31, 2020 should maintain their classification even if they have been restructured after March 31, 2020. The authorities should ideally conduct an impact analysis, develop a gradual transition period, reinstate loan loss provisioning and other prudent requirements, and require capital improvement plans as soon as the health crisis subsides.

27. Banks' asset quality and solvency positions should continue to be examined closely for further deterioration and NPLs addressed as soon as feasible. CBM's supervision department has already identified legacy NPLs and is assessing compliance with prudential benchmarks on a quarterly basis. Supervisors should also introduce enhanced monitoring of banks (particularly of weak or vulnerable institutions) including on liquidity, the quality of restructured and moratoria loans, and the related income accrual. Banks transitioning to International Financial Reporting Standards (IFRS) 9 should be required to also report under the old CBM standard to support supervisors' assessments of banks' true capital positions. The CBM should also closely follow aggregate trends in these areas.

28. A comprehensive strategy to address nonperforming loans should be advanced. The immediate priority should be to assess banks' true positions through a targeted asset quality review (AQR) by international auditors of systemically important banks. Following this, a comprehensive strategy for NPL resolution should be devised entailing a combination of measures. An asset management company (AMC) may not be a feasible policy option under this strategy since there are a number of preconditions for an AMC to operate effectively, which are not yet met in Myanmar. Now is the right time both to prepare for the AQR and to start building a strong resolution framework, including facilitating alternative recovery options since the insolvency framework remains inadequate. An interagency financial sector committee—including high level representatives from the CBM and MOPFI—would support the development of a comprehensive strategy for banking sector reform. The Fund and the World Bank stand ready to assist.

29. Contingency arrangements should also be urgently prepared to address potential banking sector stress. These would help support liquidity provision in the system and maintain stability in the payments system, both of which are critical for ensuring financial stability and supporting bank intermediation. To this end, the CBM should set up an emergency liquidity assistance (ELA) for viable but illiquid banks on a secured basis in close coordination with the MOPFI.

30. The authorities continue to progress on addressing gaps in the AML/CFT framework, despite challenges presented by COVID restrictions. In response to Myanmar's placement on the Financial Action Task Force Gray List, recent efforts on the time bound remedial Action Plan include the development of risk assessment tools for banks, new regulations for banks, and training, with the support of development partners including the Fund. The Financial Intelligence Unit is to be operationally transferred to the MOPFI in an effort to strengthen its operational independence.

MODALITIES OF IMF SUPPORT UNDER THE RCF/RFI

31. Staff views the second RCF/RFI as essential. The immediate and sizable BOP needs caused by the sudden and exogenous shock of the COVID−19 pandemic qualifies Myanmar for emergency financing from the Fund. The RCF/RFI would support the authorities' efforts to mitigate the adverse socioeconomic costs of the pandemic and catalyze additional external financing.

32. Staff considers an access of 50 percent of quota (SDR 258.4 million or about US$356.51 million) under the RCF/RFI to be appropriate, given the economic impact of the pandemic. Of this, SDR 86.13 million (16.67 percent of quota) is from PRGT resources and SDR 172.27 million (33.33 percent of quota) is from GRA resources. Fund financing would amount to 38 percent of Myanmar's external financing gap in FY2020/21 and will encourage engagement from other external partners.

33. Myanmar is assessed as having a low risk of debt distress and an adequate capacity to repay the Fund. The risks of external and overall debt distress continue to be assessed as low. However, prevailing downside risks present vulnerabilities; under an alternative scenario involving a prolonged outbreak interacting with banking sector fragilities, the risk of debt distress would rise to moderate. Staff assesses Myanmar's capacity to repay the Fund as adequate: peak liabilities to the Fund would amount to 0.9 percent of GDP or 8.7 percent of gross international reserves (Table 8).

34. The purchase and disbursement will be channeled to the CBM to be on-lent to the MOPFI for budget support. The authorities have committed to a safeguards assessment of the CBM and will provide IMF staff with access to CBM's most recently completed external audit reports and authorize its external auditors to hold discussions with IMF staff. The authorities confirm that an updated Memorandum of Understanding between CBM and MOPFI regarding their respective roles and responsibilities for servicing financial obligations to the IMF has been signed.

STAFF APPRAISAL

35. The COVID-19 outbreak continues to pose significant human and economic costs to Myanmar. The second wave has strained the frail healthcare system and still low international reserves and amplified financial sector vulnerabilities already pressured by the first wave. Additional policy measures are urgently required to mitigate the socioeconomic costs of the virus, particularly for vulnerable groups. Recent containment measures and subdued external demand would result in Myanmar's growth falling sharply to 0.5 percent in FY2020/21. The fiscal and current account deficits would widen, resulting in sizable BOP and fiscal financing needs of US$1 billion (1.1 percent of GDP) for the fiscal year.

36. Staff supports the authorities' policy intentions as outlined in the LOI. In the near term, efforts should be focused on containing the spread of the virus, directing policies to boosting health and social spending and providing relief to affected groups, including in the conflict regions, while safeguarding external and financial stability. The authorities' commitments on fiscal and debt reporting, procurement disclosure, and auditing, together with continued engagement with Fund CD and development partners, should enhance spending efficiency. Over the medium term, efforts should continue to address fragilities in the banking system, raise tax revenues, and strengthen reserve coverage while preparing contingency measures in the event of stress.

37. Staff supports the authorities' request for a second disbursement/purchase under a 1:2 blend of the RCF and RFI of SDR 258.4 million (50 percent of quota). The COVID-19 shock has created actual and urgent BOP needs. Budget support would enable the authorities to direct resources toward the needed containment measures and associated policy response, while supporting macro-financial stability. Myanmar has made significant strides in implementing the spending transparency commitments made in the LOI for the first RCF/RFI request and efforts are being made to extend support equitably across the country, including to conflict regions and ethnic minorities. Fund financing would also catalyze additional external financing. Despite significant uncertainty around the outlook, Myanmar's debt remains sustainable and its capacity to repay the Fund is adequate (Tables 7 and 8).

Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board. Decision 2 is proposed for adoption only if Decision 1 is adopted by the Executive Board.

Decision 1. Myanmar—Rapid Financing Instrument

1. Myanmar has requested a purchase in an amount equivalent to SDR 172.27 million (33.33 percent of quota) under the Rapid Financing Instrument.

2. The Fund notes the intentions of Myanmar as set forth in the letter from the Union Minister of Planning, Finance and Industry and the Governor of the Central Bank of Myanmar, dated December 18, 2020, and approves the purchase in accordance with the request.

3. This Decision shall become effective only upon the adoption of Decision No. [Decision 2] by the Executive Board.

Decision 2. Myanmar—Rapid Credit Facility

1. Myanmar has requested a loan disbursement in an amount equivalent to SDR 86.13 million (16.67 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.

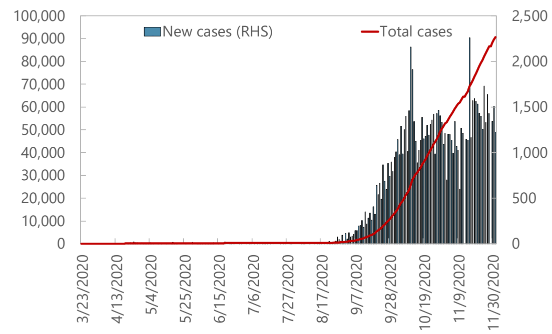
2. The Fund notes the intentions of Myanmar as set forth in the letter from the Union Minister of Planning, Finance and Industry and the Governor of the Central Bank of Myanmar, dated December 18, 2020, and approves the disbursement in accordance with the request.

Figure 1. Myanmar: Health Sector

Myanmar is experiencing a more intense second wave of COVID-19…

Myanmar: Total and New Cases of COVID-19

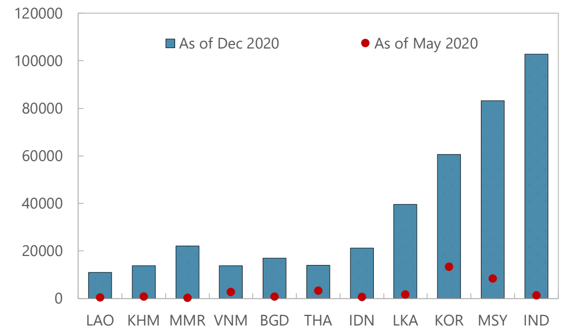
(Persons)



Sources: World Health Organization; and CEIC Data Co.

…and although testing capacity has been significantly expanded, it remains low.

COVID-19: Tests per million population

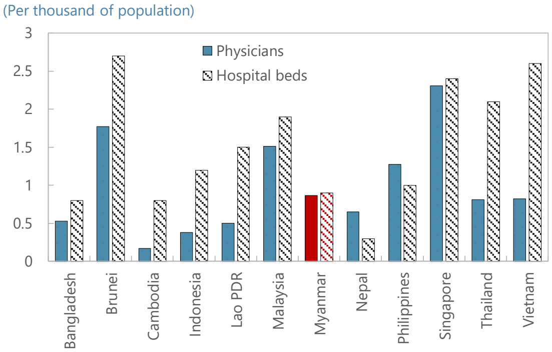


Source: Worldometer
Note: As of October 29, 2020

Health care provision is inadequate…

Hospital Beds and Physicians

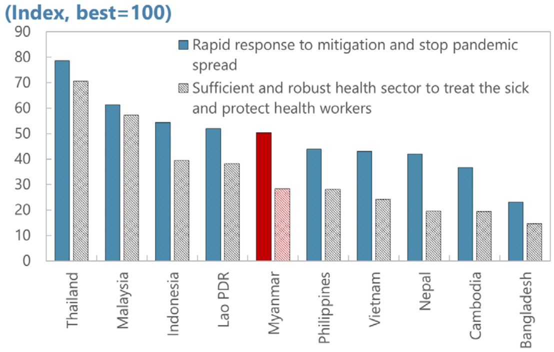
(Per thousand of population)



Source: World Bank.

…and health care system preparedness is assessed as low.

Myanmar: Health System Preparedness (Index, best=100)

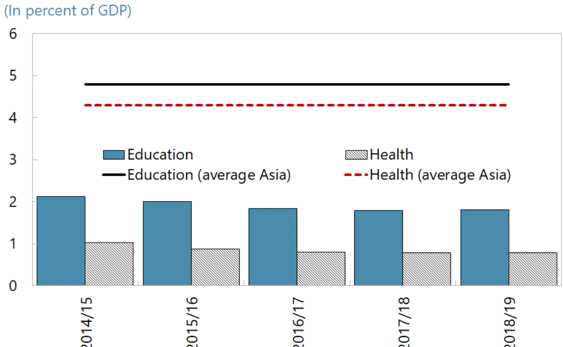


Source: John Hopkins' *Global Health Security Index*.

Health and social spending still lag behind peers…

Union Government Spending on Education and Health

(In percent of GDP)

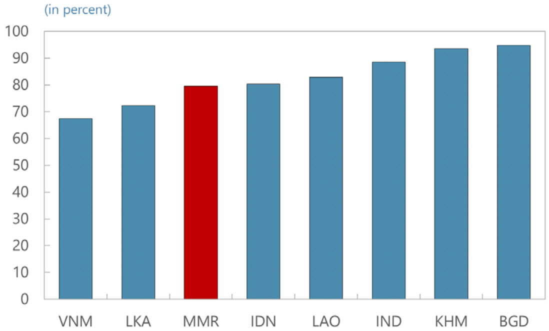


Source: Myanmar authorities.

…as the economy is characterized by a high degree of informality.

Share of informal employment

(in percent)

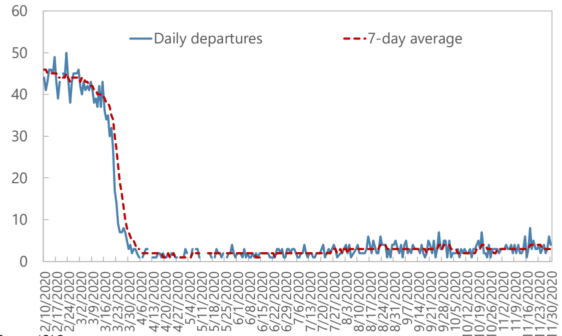


Note: Figures by latest year available: 2019 for IDN, VNM; 2018 for IND, MMR, THA; 2017 FOR BGD, LAO, LKA; 2012 FOR KHM.
Source: ILOSTAT

Figure 2. Myanmar: Macroeconomic Developments

With the outbreak of the pandemic, tourism inflows have come to a halt …

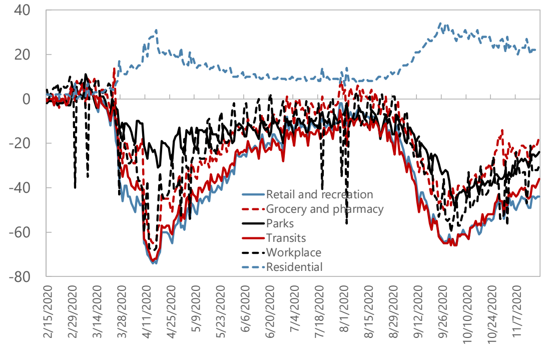
Myanmar: Daily Flight Departures



Source: ICAO.
Note: Departures for Yangon Airport; does not include relief and medical evacuation flights or other special flights approved by the Department of Civil Aviation.

and domestic demand will slow as containment measures set in…

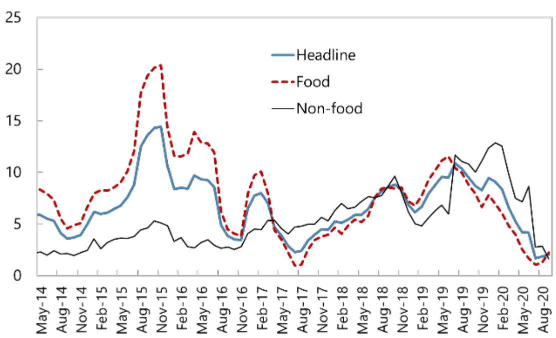
Myanmar: Mobility Changes
(Percentage change relative to baseline)



Sources: Google COVID Community Reports

which, along with declining food and global commodity prices, has led inflation to weaken.

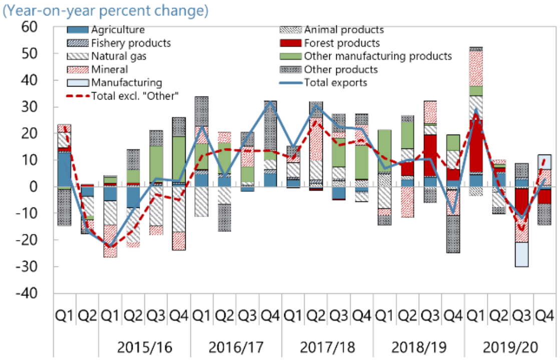
Inflation
(In percent change y/y)



Sources: Myanmar authorities; and IMF staff estimates.

Exports appear to have begun recovering after the first wave …

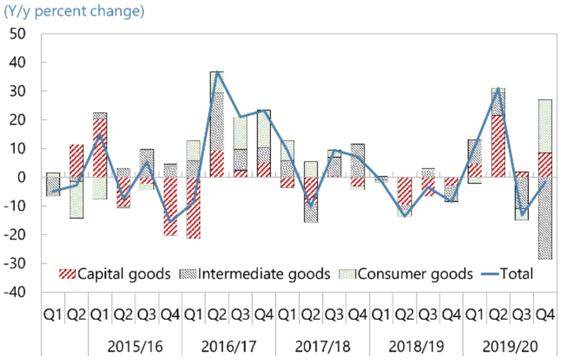
Goods Exports
(Year-on-year percent change)



Sources: Myanmar authorities; CEIC Data Co.; and IMF staff calculations.

…while imports picked up at the end of the year

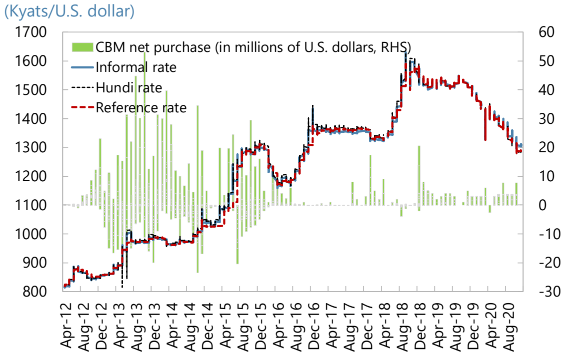
Goods Imports
(Y/y percent change)



Sources: Myanmar authorities; CEIC Data Co.; and IMF staff estimates.

…as the kyat has appreciated, and reserves have held up.

Foreign Exchange Intervention
(Kyats/U.S. dollar)

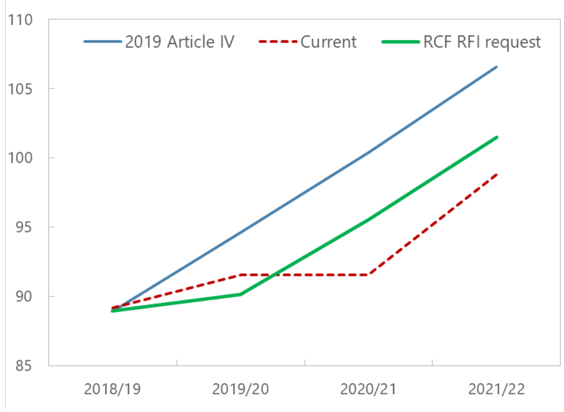


Source: Central Bank of Myanmar.

Figure 3. Myanmar: Macrofinancial Impact of COVID-19

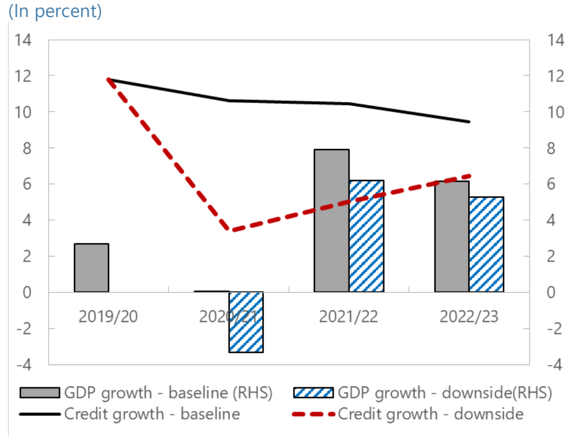
With the second wave, GDP growth is expected to fall even lower than the pre-COVID-19 baseline over the medium term…

Myanmar GDP
(Constant 2015/16 prices, in billions of kyats)



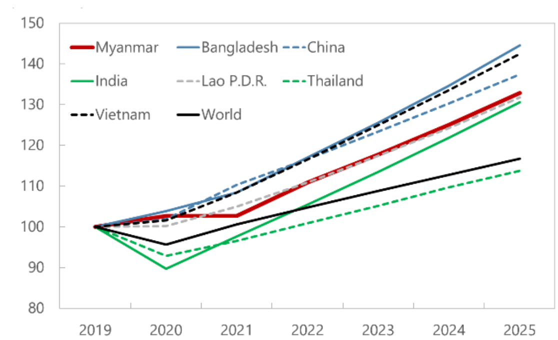
…and could fall more sharply in an adverse scenario where banking sector fragilities crystalize, as consistent with the experience of other financially shallow countries.

GDP and Credit Growth: Baseline vs. Adverse Scenario
(In percent)



A prolonged COVID-19 outbreak could affect Myanmar more severely than peers, given vulnerabilities.

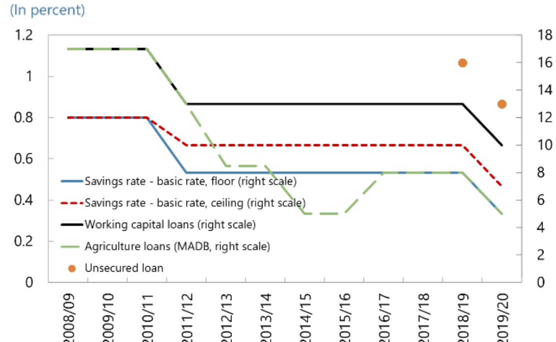
Baseline Real GDP: Myanmar vs October 2020 WEO
(2019=100)



Sources: WEO; and IMF staff calculations.

Retail rates have declined as the CBM cut the policy rate…

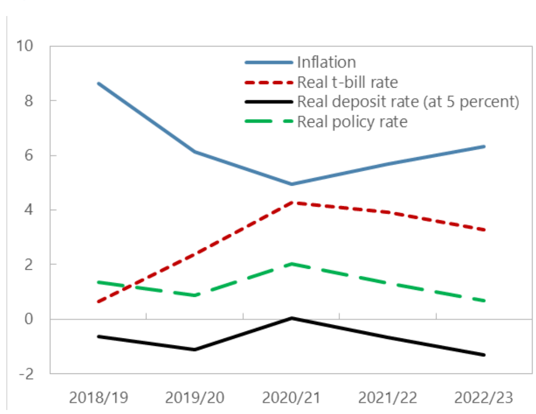
Retail Saving and Lending Interest Rates
(In percent)



Source: Central Bank of Myanmar.

…shifting real deposit and lending rates downward…

Inflation and Real Interest Rates
(in percent)



.. and while deposits have remained robust, credit growth is slowing.

Credit to the private sector and deposits
(y/y percent change)

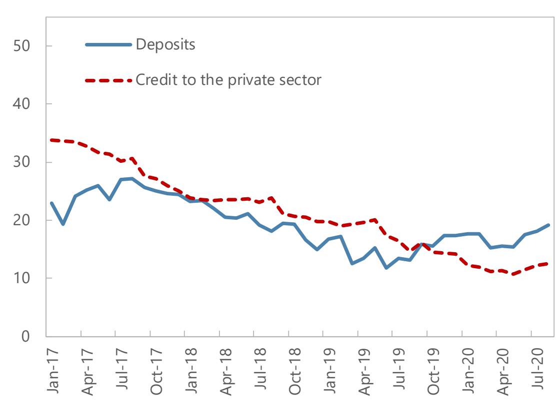
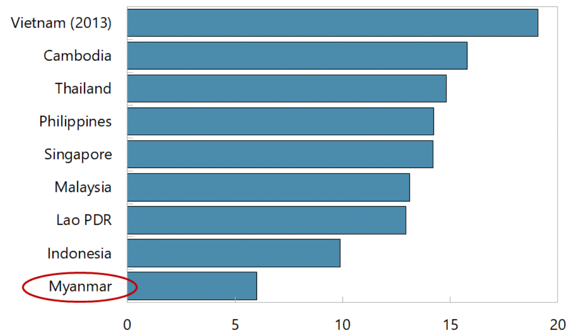


Figure 4. Myanmar: Macro-Fiscal and Monetary Developments

Tax revenue low is relative to peers…

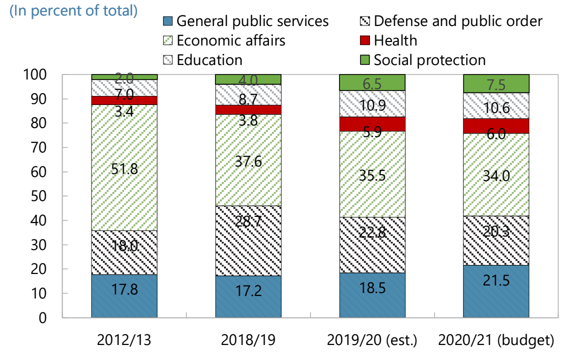
Tax Revenue, 2017
(In percent of GDP)



Sources: World Bank; and IMF staff estimates.

…while social spending remains limited.

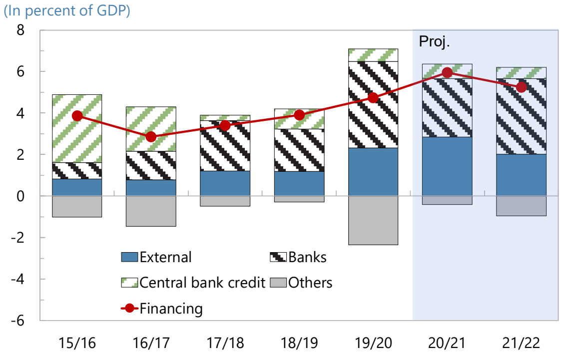
Spending Composition
(In percent of total)



Sources: Myanmar authorities; and IMF staff calculations.
Note: Economic affairs includes infrastructure investment and SOE operations

CBM financing had been declining over the last few years as domestic bank financing has gradually picked up…

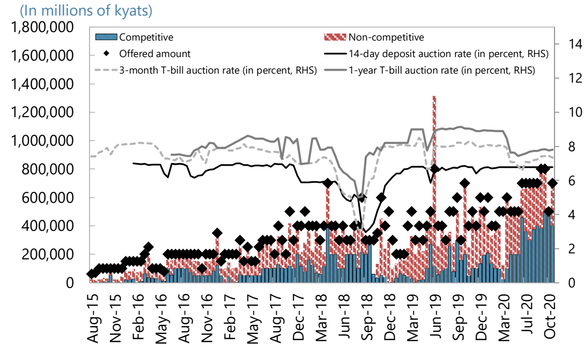
Fiscal Financing
(In percent of GDP)



Sources: Myanmar authorities; and IMF staff estimates.

…with government securities auction volumes gradually increasing, as rates move in line with inflation.

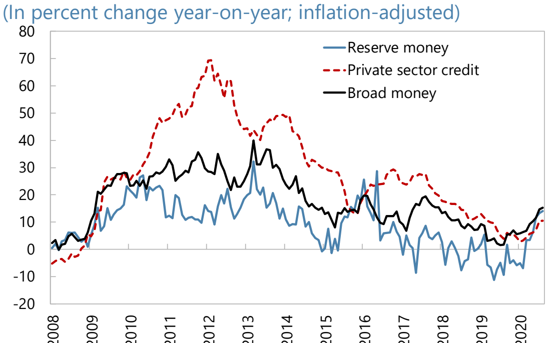
Myanmar: T-bill Auctions (Issued vs. Offer) and Rates
(In millions of kyats)



Sources: CBM/MOPFI; and IMF staff estimates.

Monetary aggregates have been contained.

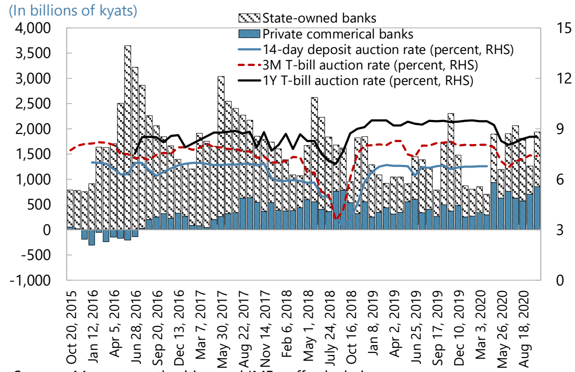
Reserve and Broad Money, and Private Sector Credit
(In percent change year-on-year; inflation-adjusted)



Sources: Myanmar authorities; and IMF staff estimates.

Interbank liquidity has built up following a tightening in March/April.

Excess Reserves in the Banking System and Auction Rates
(In billions of kyats)



Sources: Myanmar authorities; and IMF staff calculations.

Table 1. Myanmar: Selected Economic Indicators, 2016/17–2020/21 1/

	2016/17	2017/18	2018/19	2019/20	2019/20	2020/21	2020/21
	Est.	Est.	Proj.	RCF/RFI	Proj.	RCF/RFI	Proj.
Output and prices							
Real GDP [2]	5.8	6.4	6.8	1.4	3.2	6.0	0.5
CPI (end-period; base year from 2014/15=2012)	3.4	8.6	9.5	4.4	3.3	7.2	5.4
CPI (period average; base year from 2014/15=2012)	4.6	5.9	8.6	5.9	6.1	6.3	5.0
Consolidated public sector [3]				(In percent of GDP)			
Total revenue	17.9	17.6	16.3	14.8	15.6	14.7	15.1
Tax revenue	7.2	7.1	6.6	6.0	6.5	6.1	6.5
Social contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.4	0.3	0.4	0.4	0.5	0.4	0.3
Other revenue	10.3	10.1	9.3	8.3	8.5	8.1	8.2
Total expenditure	20.8	21.0	20.3	20.6	20.3	20.5	21.1
Expense	14.3	13.9	13.5	14.2	14.2	14.1	14.7
Net acquisition of nonfinancial assets	6.4	7.1	6.8	6.4	6.1	6.3	6.3
Gross operating balance	3.6	3.7	2.9	0.7	1.4	0.6	0.4
Net lending (+)/borrowing (-)	-2.9	-3.4	-3.9	-5.8	-4.7	-5.8	-6.0
Total public and publicly guaranteed (PPG) debt	38.5	40.4	38.8	43.6	38.2	45.8	42.9
Money and credit				(Percent change)			
Reserve money	8.0	4.6	11.3	14.5	14.6	13.6	13.2
Broad money	21.4	18.6	15.4	14.1	15.4	15.1	11.8
Domestic credit	22.3	21.4	17.9	15.8	17.2	16.0	12.9
Private sector	27.6	21.1	16.1	14.4	12.3	13.2	10.9
Balance of payments [4]				(In percent of GDP)			
Current account balance	-6.8	-4.7	-2.8	-4.0	-3.5	-4.2	-4.4
Trade balance	-7.6	-5.2	-3.2	-3.3	-3.4	-4.1	-3.5
Financial account	-8.5	-5.9	-4.0	-4.7	-4.2	-5.3	-4.8
Foreign direct investment, net [5]	-5.8	-4.8	-3.1	-2.7	-2.5	-2.9	-2.8
Overall balance	0.5	0.5	0.3	0.7	0.8	1.1	0.4
CBM reserves (gross)							
In millions of U.S. dollars	5,142	5,462	5,668	6,840	6,772	7,733	7,859
In months of prospective GNFS imports	3.2	3.8	3.9	5.0	4.7	5.0	5.0
As a share of broad money	15.2	15.6	13.8	13.8	12.2	13.0	13.0
Total PPG external debt (billions of U.S. dollars)	9.1	9.8	10.1	12.0	11.1	13.5	12.9
Total PPG external debt (percent of GDP)	15.0	16.4	14.8	16.9	12.6	17.4	14.1
Exchange rates (kyat/$, end of period)							
Official exchange rate	1,357.7	1,551.5	1,533.0	…	1,322.5	…	…
Parallel rate	1,350.9	1,563.6	1,533.1	…	1,333.5	…	…
Memorandum items:							
GDP (billions of kyats)	82,700	92,789	105,259	112,999	115,526	128,239	122,844
GDP (billions of US$)	61.3	66.7	68.8	…	81.6	…	…
GDP per capita (US$)	1,267	1,279	1,242	1,321	1,321	1,440	1,440

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Real GDP series is rebased to 2015/16 prices by the authorities.

3/ Union and state/region governments and state economic enterprises. Revised to reflect Government Finance Statistics Manual 2014 classification.

4/ The balance of payments data has been revised according to the BPM6 methodology.

5/ FDI from 2017/18 onwards reflects improved forex transaction data collection, which has caused a break in the data series.

Table 2. Myanmar: Summary Operations of the Nonfinancial Public Sector, 2015/16–2020/21 1/

(Consolidated accounts, in billions of kyats)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Est.	Est.	Proj.	Proj.	Proj.	Proj.
			(In billions of kyats)			
Revenue	14,811	16,358	17,209	18,010	18,593	**22,054**
Taxes	5,913	6,604	6,912	7,494	8,030	9,920
On income, profits, and capital gains	1,888	1,938	2,198	2,368	2,518	3,313
On property	39	40	37	40	43	49
On goods and services	3,431	3,966	4,154	4,512	4,859	5,857
On international trade & transactions	495	588	464	509	541	621
Other taxes	60	71	59	65	69	79
Social contributions	78	110	130	143	152	174
Grants	332	277	415	596	307	366
Other revenue	8,487	9,366	9,752	9,776	10,104	11,594
Property income	1,222	1,735	1,756	1,927	2,049	2,351
Sales of goods and services 2/	7,265	7,631	7,997	7,849	8,055	9,243
Expenditure	17,174	19,515	21,321	23,488	25,904	**29,454**
Expense	11,846	12,916	14,171	16,449	18,113	19,949
Compensation of employees	3,014	3,598	3,723	4,086	4,345	4,986
Purchases/use of goods & services	6,227	6,579	7,639	8,384	9,161	10,089
Interest	1,135	1,687	1,588	1,873	2,122	2,728
External	235	463	235	232	159	311
Domestic	900	1,224	1,353	1,641	1,964	2,417
Subsidies and transfers	0	64	53	231	246	0
Social benefits	711	784	971	1,527	1,993	1,864
Other expense	759	205	197	347	246	282
Net acquisition of nonfinancial assets	5,328	6,599	7,150	7,039	7,792	9,505
Balances						
Gross operating balance	2,965	3,442	3,038	1,561	481	2,105
Net lending/borrowing	-2,364	-3,157	-4,112	-5,478	-7,311	-7,399
Net acquisition of financial assets	-203	-13,478	-533	1,558	100	79
Domestic	-212	-13,482	-533	1,557	100	78
Currency and deposits	-304	-13,494	-542	66	33	17
Central Bank	0	-327	-674	0	0	0
Commercial banks	-305	-13,168	132	66	33	17
Loans	-59	-41	-7	1,429	0	0
Equity	152	54	16	62	67	62
External	8	3	0	1	1	1
Equity	8	3	0	71	53	62
Net incurrence of liabilities	2,160	-10,321	3,579	7,036	7,411	**7,478**
Domestic	2,009	-10,758	2,981	5,508	4,317	5,883
Securities	2,000	1,993	2,987	5,508	4,317	5,883
Central bank	1,782	237	1,009	700	863	751
Commercial banks	1,132	2,263	2,144	4,808	3,453	5,133
Nonbanks	-914	-506	-167	0	0	0
Loans	10	-12,751	-6	0	0	0
External	151	437	598	1,528	3,094	1,595
Of which: Loans	650	1,114	1,262	2,690	3,502	2,854
Of which: Exceptional financing (RCF/RFI)	…	…	…	506	506	
Of which: Exceptional financing (DSSI)	…	…	…	162	533	

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ Revised to reflect Government Finance Statistics Manual 2014 classification. From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Includes proceeds from SEEs' commercial activities.

Table 3. Myanmar: Summary Operations of the Nonfinancial Public Sector, 2015/16–2020/21 1/

(Consolidated accounts, in percent of GDP)

	2015/16	2016/17	2017/18	2018/19	2019/20	2019/20	2020/21	2020/21
	Act.	Est.	Est.	Proj.	RCF/RFI	Proj.	RCF/RFI	Proj.
				(In percent of GDP)				
Revenue	19.6	17.9	17.6	16.3	14.8	15.6	14.7	15.1
Taxes	7.1	7.2	7.1	6.6	6.0	6.5	6.1	6.5
On income, profits, and capital gains	2.4	2.3	2.1	2.1	1.7	2.1	1.7	2.1
On goods and services	3.9	4.1	4.3	3.9	3.8	3.9	3.8	4.0
On international trade & transactions	0.6	0.6	0.6	0.4	0.4	0.4	0.4	0.4
Other taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Social contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.5	0.4	0.3	0.4	0.4	0.5	0.4	0.3
Other revenue	11.9	10.3	10.1	9.3	8.3	8.5	8.1	8.2
Property income	1.4	1.5	1.9	1.7	1.3	1.7	1.3	1.7
Sales of goods and services 2/	10.5	8.8	8.2	7.6	7.0	6.8	6.9	6.6
Expenditure	23.4	20.8	21.0	20.3	20.6	20.3	20.5	21.1
Expense	16.0	14.3	13.9	13.5	14.2	14.2	14.1	14.7
Compensation of employees	3.4	3.6	3.9	3.5	2.8	3.5	2.8	3.5
Purchases/use of goods & services	8.2	7.5	7.1	7.3	8.6	7.3	8.4	7.5
Interest	1.3	1.4	1.8	1.5	1.6	1.6	1.7	1.7
External	0.3	0.3	0.5	0.2	0.2	0.2	0.2	0.1
Domestic	1.0	1.1	1.3	1.3	1.5	1.4	1.5	1.6
Subsidies and transfers	0.4	0.0	0.1	0.1	0.2	0.2	0.2	0.2
Social benefits	0.9	0.9	0.8	0.9	1.0	1.3	1.1	1.6
Other expense	1.8	0.9	0.2	0.2	0.1	0.3	0.1	0.2
Net acquisition of nonfinancial assets	7.4	6.4	7.1	6.8	6.4	6.1	6.3	6.3
Balances								
Gross operating balance	3.5	3.6	3.7	2.9	0.7	1.4	0.6	0.4
Net lending/borrowing	-3.9	-2.9	-3.4	-3.9	-5.8	-4.7	-5.8	-6.0
Net acquisition of financial assets								
Domestic	0.9	-0.3	-14.5	-0.5	0.2	1.3	0.1	0.1
Currency and deposits	0.6	-0.4	-14.5	-0.5	0.1	0.1	0.0	0.0
Central Bank	0.5	0.0	-0.4	-0.6	0.0	0.0	0.0	0.0
Commercial banks	0.1	-0.4	-14.2	0.1	0.1	0.1	0.0	0.0
Loans	0.2	-0.1	0.0	0.0	0.0	1.2	0.0	0.0
Equity	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.1
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Net incurrence of liabilities	4.8	2.6	-11.1	3.4	5.9	6.1	5.9	6.0
Domestic	4.7	2.4	-11.6	2.8	3.5	4.8	4.0	3.5
Securities	4.0	2.4	2.1	2.8	3.5	4.8	4.0	3.5
Central bank	3.3	2.2	0.3	1.0	1.2	0.6	0.9	0.7
Commercial banks	0.8	1.4	2.4	2.0	2.4	4.2	3.2	2.8
Nonbanks	-0.1	-1.1	-0.5	-0.2	0.0	0.0	0.0	0.0
Loans	0.7	0.0	-13.7	0.0	0.0	0.0	0.0	0.0
External	0.1	0.2	0.5	0.6	2.4	1.3	1.9	2.5
Loans	0.8	0.8	1.2	1.2	2.7	2.3	2.0	2.9
Of which: Exceptional financing (RCF/RFI)	...	...	...	...	0.5	0.4	0.0	0.4
Of which: Exceptional financing (DSSI)	...	...	...	...	0.5	0.1	0.1	0.4
Memorandum items:								
Primary balance	-2.6	-1.5	-1.6	-2.4	-4.2	-3.1	-4.1	-4.2
Functional breakdown of public sector expenditure								
Economic affairs	11.0	9.7	9.6	8.7	10.4	7.2	9.9	7.2
Social services	5.0	4.5	4.9	4.9	5.5	5.9	6.2	6.2
Of which: education	2.1	2.0	2.0	2.0	2.1	2.2	2.3	2.2
Of which: health	1.0	0.9	1.0	0.9	1.3	1.2	1.7	1.3
Defense	4.1	3.7	3.7	3.3	2.6	2.3	2.4	2.1
Total public and publicly guaranteed (PPG) debt	38.3	38.5	40.4	38.8	42.7	38.2	44.7	42.9
Of which: held by CBM	16.1	15.8	16.5	14.6	15.0	14.3	14.1	14.5
Of which: other and external	22.2	22.6	23.9	24.2	27.6	23.9	30.6	28.4
Total domestic public debt	22.2	23.4	24.0	24.0	25.8	25.6	27.3	28.8
Total external PPG debt	16.1	15.0	16.4	14.8	16.9	12.6	17.4	14.1
Of which: Arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP (in billions of kyat)	74,216	82,700	92,789	105,259	112,999	115,526	128,239	122,844
CBM financing (share of reserve money)	17.5	11.6	1.4	5.8	6.7	3.6	4.4	3.9
CBM financing (share of domestic financing)	70	89	-2	34	33	13	21	20

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ Revised to reflect Government Finance Statistics Manual 2014 classification. From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Includes proceeds from SEEs' commercial activities.

Table 4. Myanmar: Balance of Payments, 2016/17–2023/24 1/

	2016/17 Act.	2017 Est.	2017/18 Est.	2018 Est.	2018/19 Est.	2019/20 RCF/RFI	2019/20 Proj.	2020/21 RCF/RFI	2020/21 Proj.	2021/22 Proj.	2022/23 Proj.	2023/24 Proj.
						(In millions of U.S. dollars)						
Current Account	-4,162	-3,974	-3,139	-3,144	-1,945	-2,785	-2,829	-3,218	-3,688	-3,547	-3,591	-3,682
(In percent of GDP)	-6.8		-4.7	-4.7	-2.8	-4.0	-3.5	-4.2	-4.4	-3.8	-3.5	-3.3
Trade balance	-4,643	-4,636	-3,471	-3,471	-2,219	-2,292	-2,762	-3,098	-2,977	-3,087	-3,180	-3,247
(In percent of GDP)	-7.6		-5.2	-5.2	-3.2	-3.3	-3.4	-4.1	-3.5	-3.3	-3.1	-2.9
Balance on goods	-5,816	-5,816	-4,362	-4,362	-2,978	-2,395	-3,483	-2,937	-3,236	-3,462	-3,684	-3,894
(In percent of GDP)	-9.5		-6.5	-6.5	-4.3	-3.4	-4.3	-3.9	-3.8	-3.7	-3.6	-3.5
Merchandise exports f.o.b.	9,475	9,475	11,226	11,226	10,463	9,165	10,636	10,302	10,835	11,982	12,984	14,944
Merchandise imports f.o.b.	15,291	15,291	15,587	15,587	13,440	11,560	14,119	13,239	14,071	15,444	16,668	18,838
Balance on services	1,173	1,181	890	890	759	103	722	-162	259	376	505	647
(In percent of GDP)	1.9		1.3	1.3	1.1	0.1	0.9	-0.2	0.3	0.4	0.5	0.6
Exports of services, total	3,730	3,742	4,428	4,428	4,624	3,195	3,904	3,116	3,553	3,802	4,068	4,353
Imports of services, total	2,557	2,561	3,537	3,537	3,865	3,092	3,183	3,278	3,294	3,426	3,563	3,706
Primary income balance	-1,649	-1,622	-1,960	-1,960	-2,023	-2,156	-2,249	-2,156	-2,314	-2,374	-2,511	-2,644
(In percent of GDP)	-2.7		-2.9	-2.9	-2.9	-3.1	-2.8	-2.8	-2.7	-2.5	-2.5	-2.4
Receipts	1,168	1,168	1,264	1,264	1,467	1,492	1,192	1,492	1,216	1,246	1,280	1,319
Expenditures	2,817	2,789	3,224	3,224	3,490	3,647	3,441	3,647	3,530	3,620	3,792	3,962
Secondary income balance	2,131	2,283	2,292	2,288	2,297	1,662	2,182	2,036	1,603	1,914	2,100	2,209
(In percent of GDP)	3.5		3.4	3.4	3.3	2.4	2.7	2.7	1.9	2.0	2.1	2.0
Capital and Financial Account	-5,189	-4,334	-3,952	-3,952	-2,737	-3,282	-3,464	-4,046	-4,056	-4,069	-4,697	-5,462
(In percent of GDP)	-8.5		-5.9	-5.9	-4.0	-4.7	-4.2	-5.3	-4.8	-4.3	-4.6	-4.9
Capital account	1	1	1	1	0	0	0	0	0	0	0	0
Financial account (+ = net increase / - = net decrease)	-5,190	-4,335	-3,952	-3,952	-2,737	-3,282	-3,464	-4,046	-4,056	-4,069	-4,697	-5,462
(In percent of GDP)	-8.5		-5.9	-5.9	-4.0	-4.7	-4.2	-5.3	-4.8	-4.3	-4.6	-4.9
Direct investment	-3,563	-2,959	-3,229	-3,230	-2,131	-1,865	-2,059	-2,216	-2,341	-2,908	-3,632	-4,482
(In percent of GDP)	-5.8		-4.8	-4.8	-3.1	-2.7	-2.5	-2.9	-2.8	-3.1	-3.6	-4.0
Assets	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities	3,563	2,959	3,229	3,230	2,131	1,865	2,059	2,216	2,341	2,908	3,632	4,482
Portfolio investment	5	5	-1	-2	-30	0	0	0	0	0	0	0
(In percent of GDP)	0		0	0	0	0	0	0	0	0	0	0
Assets	36	36	-1	-2	-30	0	0	0	0	0	0	0
Liabilities	31	31	0	0	0	0	0	0	0	0	0	0
Other investment	-1,631	-1,380	-721	-721	-575	-1,417	-1,405	-1,830	-1,715	-1,161	-1,064	-980
(In percent of GDP)	-2.7		-1.1	-1.1	-0.8	-2.0	-1.7	-2.4	-2.0	-1.2	-1.0	-0.9
Assets	-986	-986	-417	-417	474	0	281	0	0	0	0	0
Liabilities	645	394	304	304	1,050	1,417	1,685	1,830	1,715	1,161	1,064	980
Of which: MLT debt disbursements	482	482	801	801	825	1,653	1,240	1,986	2,062	1,897	1,939	1,979
Of which: repayments due	-370	-370	-487	-487	-434	-632	-632	-647	-647	-837	-875	-999
Net errors and omissions	-147	-147	-493	-488	-586	0	0	0	0	0	0	0
(In percent of GDP)	-1.2		-0.7	-0.7	-0.9	0	0.0	0	0.0	0.0	0.0	0.0
Overall balance with program	306	215	320	320	205	496	635	829	368	522	1,106	1,780
(In percent of GDP)	0.5		0.5	0.5	0.3	0.7	0.8	1.1	0.4	0.6	1.1	1.6
Financing	-306	-215	-320	-320	-205	-496	-635	-829	-368	-522	-1,106	-1,780
Change in Reserves (+ accumulation)	306	215	320	320	205	1,174	1,104	893	1,087	517	1,070	1,593
IMF disbursement (US$ million)[2]	…		…		…	357	357	…	357	…	…	…
IMF Repayments	…		…		…	-1	-1	-3	-5	-5	-36	-187
DSSI (US$ millions)[3]	…		…		…	322	114	67	367	…	…	…
Memorandum items:												
GDP (in millions of U.S. dollars)	61,267	61,332	66,699	66,699	68,802	69,939	81,554	75,887	…	…	…	…
Level of gross reserves (end of period)	5,142	5,132	5,462	5,462	5,668	6,840	6,772	7,733	7,859	8,376	9,446	11,038
Reserves (months of imports of G&S)	3.2	3.2	3.8	3.8	3.9	5.0	4.7	5.0	5.0	5.0	5.0	5.0
Reserves (in percent of broad money)	15.2		15.6	15.6	13.8	15.2	12.2	15.7	13.0	12.8	13.4	14.5
Total financing gap (US$ millions)	…		…		…	1,676	…	794	1,090	…	…	…

Source: Data provided by the authorities; and IMF staff estimates.

1/ Revised according to the BPM6 methodology. From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Accessed under the RCF/RFI at 50 percent of quota (SDR 258.4 million or about US$356 million).

3/ Debt service suspension under the Debt Service Suspension Initiative (DSSI), supported by the G-20 and Paris Club has been requested. Given the duration of the initiative, it is estimated to create savings in external debt service in FY2019/20 and FY2020/21 respectively.

Table 5. Myanmar: Monetary Survey, 2016/17–2023/24 1/

(In billions of kyat at end-period, unless otherwise indicated)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.
Central Bank of Myanmar								
Net foreign assets	6,519	8,010	8,113	8,754	9,353	9,822	10,932	12,987
Foreign assets	6,999	8,544	8,659	9,765	10,853	11,371	12,442	14,036
Foreign liabilities	480	534	546	1,011	1,500	1,549	1,510	1,049
Net domestic assets	10,043	9,317	11,604	13,348	15,671	18,537	20,772	22,633
Net domestic credit	13,346	14,066	16,065	17,156	19,592	22,605	25,025	27,076
Net claims on central government	13,099	13,662	15,346	16,510	17,862	18,606	18,837	18,551
Net claims on deposit money banks	247	404	719	646	1,730	3,999	6,188	8,525
Other items net	-3,303	-4,749	-4,461	-3,808	-3,921	-4,068	-4,252	-4,443
Reserve Money	16,562	17,327	19,291	22,102	25,024	28,359	31,704	35,621
Currency in circulation	12,227	13,652	15,491	17,748	20,095	22,773	25,459	28,604
ODC liabilities	4,335	3,675	3,800	4,354	4,929	5,586	6,245	7,016
Transferrable deposits	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Monetary survey								
Net foreign assets	8,908	10,841	11,353	12,279	13,133	14,123	15,850	18,518
Foreign assets	12,737	14,702	15,351	17,431	18,663	20,726	22,602	26,064
Foreign liabilities	3,829	3,861	3,999	5,153	5,529	6,602	6,752	7,547
Net domestic assets	37,030	43,640	51,957	60,257	67,998	77,630	87,148	97,321
Net domestic credit	36,324	44,081	51,973	60,921	68,781	78,543	88,103	98,318
Net claims on government	15,730	19,115	22,923	28,431	32,748	38,631	44,365	50,672
CBM	13,099	13,662	15,346	16,510	17,862	18,606	18,837	18,551
Deposit money banks	2,631	5,453	7,578	11,921	14,885	20,025	25,528	32,120
Net credit to the economy	20,594	24,966	29,050	32,490	36,033	39,912	43,737	47,646
Other items net	706	-441	-16	-664	-783	-913	-954	-997
Broad money	45,938	54,480	62,883	72,536	81,131	91,753	102,999	115,838
Narrow money	14,641	17,192	19,608.7	22,618.7	25,298.9	28,611.2	32,117.8	36,121.6
Currency in circulation	9,973	11,504	13,063.4	15,068.7	16,854.2	19,060.9	21,396.9	24,064.3
Transferrable Deposits	4,668	5,688	6,545.4	7,550.1	8,444.7	9,550.4	10,720.8	12,057.3
Other deposits	31,297	37,288	43,275	49,917	55,832	63,142	70,881	79,717
Memorandum items:								
Money multiplier	2.8	3.1	3.3	3.3	3.2	3.2	3.2	3.3
Velocity	1.8	1.7	1.7	1.6	1.5	1.5	1.6	1.6
Reserve money (y/y percent change)	8.0	4.6	11.3	14.6	13.2	13.3	11.8	12.4
Broad money (y/y percent change)	21.4	18.6	15.4	15.4	11.8	13.1	12.3	12.5
Credit to private sector (y/y percent change)	27.6	21.1	16.1	12.3	10.9	10.8	9.6	8.9
Net credit to central govt. (y/y percent change)	15.6	21.5	19.9	24.0	15.2	18.0	14.8	14.2
Credit growth (y/y percent change)	22.3	21.4	17.9	17.2	12.9	14.2	12.2	11.6
Deposits (y/y percent change)	25.7	19.5	15.9	15.4	11.8	13.1	12.3	12.5
Reserve money (in percent of GDP)	20.0	18.7	18.3	19.1	20.4	20.1	19.8	19.7
Broad money (in percent of GDP)	55.5	58.7	59.7	62.8	66.0	65.1	64.5	63.9
Credit to private sector (in percent of GDP)	24.9	26.9	27.6	28.1	29.3	28.3	27.4	26.3
Credit to central government (in percent of GDP)	19.0	20.6	21.8	24.6	26.7	27.4	27.8	28.0
Deposits (in percent of GDP)	43.5	46.3	47.3	49.7	52.3	51.6	51.1	50.6
Credit to economy/deposits (in percent)	57.3	58.1	58.3	56.5	...	...	...	...
Nominal GDP (in billions of kyat)	82,700	92,789	105,259	115,526	122,844	140,961	159,799	181,245

Sources: Central Bank of Myanmar; and IMF staff estimates and projections.

1/ From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

Table 6. Myanmar: Medium-Term Projections 2016/17–2025/26 1/

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Output and prices				(Percent change)						
Real GDP (staff working estimates) 2/	5.8	6.4	6.8	3.2	0.5	7.9	6.2	6.3	6.3	6.4
CPI (end-period; base year=2012)	3.4	8.6	9.5	3.3	5.4	5.9	6.7	6.7	6.7	6.7
CPI (period average; base year=2012)	4.6	5.9	8.6	6.1	5.0	5.7	6.3	6.3	6.3	6.3
Consolidated public sector 3/				(In percent of GDP)						
Total revenue	17.9	17.6	16.3	15.6	15.1	15.6	16.5	16.8	17.1	17.4
Tax revenue	7.2	7.1	6.6	6.5	6.5	7.0	7.4	7.7	8.0	8.3
Social contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.4	0.3	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Other revenue	10.3	10.1	9.3	8.5	8.2	8.2	8.6	8.6	8.6	8.6
Total expenditure	20.8	21.0	20.3	20.3	21.1	20.9	21.1	21.1	20.9	20.6
Expense	14.3	13.9	13.5	14.2	14.7	14.2	14.3	14.4	14.1	14.0
Net acquisition of nonfinancial assets	6.4	7.1	6.8	6.1	6.3	6.7	6.7	6.7	6.7	6.5
Gross operating balance	3.6	3.7	2.9	1.4	0.4	1.5	2.1	2.4	3.0	3.4
Net lending (+)/borrowing (-)	-2.9	-3.4	-3.9	-4.7	-6.0	-5.2	-4.6	-4.3	-3.8	-3.2
Total public and publicly guaranteed (PPG) debt	38.5	40.4	38.8	38.2	42.9	44.0	45.2	46.2	46.7	46.8
Money and credit				(Percent change)						
Reserve money	8.0	4.6	11.3	14.6	13.2	13.3	11.8	12.4	9.7	7.1
Broad money	21.4	18.6	15.4	15.4	11.8	13.1	12.3	12.5	10.5	7.5
Domestic credit	22.3	21.4	17.9	17.2	12.9	14.2	12.2	11.6	10.4	9.2
Private sector	27.6	21.1	16.1	12.3	10.9	10.8	9.6	8.9	8.7	8.5
Balance of payments 4/				(In percent of GDP, unless otherwise indicated)						
Current account balance	-6.8	-4.7	-2.8	-3.5	-4.4	-3.8	-3.5	-3.3	-3.7	-3.4
Trade balance	-7.6	-5.2	-3.2	-3.4	-3.5	-3.3	-3.1	-2.9	-3.3	-3.0
Exports	15.5	16.8	15.2	13.0	12.8	12.8	12.7	13.4	14.7	15.6
Gas exports	5.1	5.3	5.7	3.9	3.6	3.0	2.8	2.7	2.5	2.5
Imports	25.0	23.4	19.5	17.3	16.6	16.5	16.3	16.9	18.7	19.4
Financial account	-8.5	-5.9	-4.0	-4.2	-4.8	-4.3	-4.6	-4.9	-5.0	-5.5
Foreign direct investment, net 5/	-5.8	-4.8	-3.1	-2.5	-2.8	-3.1	-3.6	-4.0	-4.1	-4.0
Overall balance	0.5	0.5	0.3	0.8	0.4	0.6	1.1	1.6	1.2	2.1
CBM reserves (gross)										
In millions of U.S. dollars	5,142	5,462	5,668	6,772	7,859	8,376	9,446	11,038	12,295	14,949
In months of total imports	3.2	3.8	3.9	4.7	5.0	5.0	5.0	5.0	5.0	5.0
External debt										
Total external PPG debt (billions of U.S. dollars)	9.1	9.8	10.1	11.1	12.9	13.9	15.0	16.0	17.0	18.2
(In percent of GDP)	15.0	16.4	14.8	12.6	14.1	13.8	13.7	13.5	13.2	13.0
Exchange rates (kyat/$, end of period)										
Official exchange rate	1,358	1,552	1,533	1,322	…	…	…	…	…	…
Parallel rate	1,351	1,564	1,533	1,334	…	…	…	…	…	…
Memorandum items:										
GDP (billions of kyats)	82,700	92,789	105,259	115,526	122,844	140,961	159,799	181,245	205,600	233,370
GDP (billions of US$)	61.3	66.7	68.8	81.6	…	…	…	…	…	…
GDP per capita (US$)	1,267	1,279	1,242	1,321	1,440	1,593	1,718	1,807	1,901	2,000

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Real GDP series is rebased to 2015/16 prices by the authorities.

3/ Union and state/region governments and state economic enterprises. Revised to reflect Government Finance Statistics Manual 2014 classification.

4/ The balance of payments data has been revised according to the BPM6 methodology.

5/ FDI from 2017/18 onwards reflects improved forex transaction data collection, which has caused a break in the data series.

Table 7. Myanmar: Gross External Financing Needs and Sources, 2018/2019–2023/2024 1/

(In millions of U.S. dollars)

	18/19	19/20	20/21	21/22	22/23	23/24	Total program period
		Projections					
Gross external financing needs	**-2,966**	**-3,461**	**-4,335**	**-4,383**	**-4,466**	**-4,681**	
Current account balance	-1,945	-2,829	-3,688	-3,547	-3,591	-3,682	-17,337
Medium and long-term loans (principal payments)	-434	-632	-647	-837	-875	-999	-3,989
Gross external financing sources	**3,171**	**4,096**	**4,703**	**4,906**	**5,571**	**6,461**	**28,907**
Capital account balance	0	0	0	0	0	0	0
Direct investment: net	2,131	2,059	2,341	2,908	3,632	4,482	17,554
Portfolio investment: net excluding redemptions	30	0	0	0	0	0	30
Medium and long-term loans: net excluding principal payments [1/]	1,010	2,037	2,362	1,997	1,939	1,979	11,324
Short-term loans: net excluding principal payments	0	0	0	0	0	0	0
Use of international reserves ("+" is accumulation)	**205**	**1,104**	**1,087**	**517**	**1,070**	**1,593**	**5,576**
Exceptional financing	**0**	**471**	**724**	**0**	**-30**	**-182**	**982**
Use of IMF credit	0	357	357	0	-30	-182	501
Purchases	0	357	357	0	0	0	714
Repurchases	0	0	0	0	30	182	213
Debt rescheduling or refinancing (DSSI) [2/]	0	114	367	0	0	0	481
Memorandum items							
Committed amounts	0	479	954	116	23	0	1,573
IMF	0	357	357	0	0	0	714
World Bank	0	76	58	53	23	0	210
Others	0	46	539	63	0	0	649
Disbursed amounts [3/]							
IMF	0	357	0	0	0	0	357
World Bank	0	76	0	0	0	0	76
Others	0	46	0	0	0	0	46
Gross international reserves	5,668	6,772	7,859	8,376	9,446	11,038	

Source: IMF staff estimates and projections.

1/ Includes Covid-19 related financing from multilateral and bilateral donors in FY20/21.

2/ Reflects ongoing negotiations with creditors and assumes an extension of the initiative until June 2021.

3/ Disbursed amount to be updated pending confirmation from donors.

Table 8. Myanmar: Indicators of Capacity to Repay the Fund

(in millions of SDRs, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Repayment based on prospective credit											
(In millions of SDRs)											
Total Principal	**0.0**	**0.0**	**21.5**	**107.7**	**172.3**	**68.9**	**34.5**	**34.5**	**34.5**	**34.5**	**8.6**
Of which: Rapid Credit Facility	0.0	0.0	0.0	0.0	0.0	25.8	34.5	34.5	34.5	34.5	8.6
Of which: Emergency Assistance	0.0	0.0	21.5	107.7	172.3	43.1	0.0	0.0	0.0	0.0	0.0
Total Charges and interest	**3.5**	**4.2**	**4.2**	**3.7**	**1.9**	**0.5**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Total Outstanding Fund obligations based on existing credit											
In millions of SDRs	258.4	258.4	236.9	172.3	86.1	68.9	51.7	34.4	17.2	0.0	0.0
In millions of USD	356.2	361.1	332.5	242.9	121.7	97.5	73.1	48.7	24.4	0.0	0.0
In percent of government revenue	2.8	2.5	2.0	1.3	0.6	0.4	0.3	0.2	0.1	0.0	0.0
In percent of exports of goods and services	2.5	2.3	1.9	1.3	0.5	0.4	0.3	0.2	0.1	0.0	0.0
In percent of GDP	0.4	0.4	0.4	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
In percent of IMF Quota	50.0	50.0	45.8	33.3	16.7	13.3	10.0	6.7	3.3	0.0	0.0
Total Outstanding Fund obligations based on existing and prospective credit											
In millions of SDRs	516.8	516.8	495.3	387.6	215.3	146.4	112.0	77.5	43.1	8.6	0.0
In millions of U.S. dollar	712.5	722.3	695.2	546.4	304.3	207.3	158.5	109.7	61.0	12.2	0.0
In percent of government revenue	5.6	4.9	4.1	2.9	1.5	0.9	0.6	0.4	0.2	0.0	0.0
In percent of exports of goods and services	5.0	4.6	4.1	2.8	1.3	0.8	0.7	0.4	0.2	0.0	0.0
In percent of GDP	0.9	0.9	0.7	0.5	0.3	0.2	0.1	0.1	0.0	0.0	0.0
In percent of IMF quota	100.0	100.0	95.8	75.0	41.7	28.3	21.7	15.0	8.3	1.7	0.0
Memorandum items:											
Exports of goods and services (in millions of US$)	14,388.0	15,783.7	17,051.6	19,296.3	22,549.3	25,842.3	24,115.6	26,291.7	28,997.4	31,665.9	34,520.1
Government revenue (in millions of US$)	12,798.0	14,664.2	16,792.9	18,644.2	20,695.6	22,979.2	25,401.9	28,063.9	30,935.8	34,088.3	37,470.1
Gross international reserves (in millions of US$)	7,859.0	8,375.8	9,445.6	11,068.5	12,325.0	14,948.2	15,538.4	16,407.8	17,475.5	18,302.5	19,043.0
IMF quota (in millions of SDR)	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8

Source: IMF staff estimates and projections based on an October to September fiscal year.

Annex I. Risk Assessment Matrix[1]

	Risks	Likelihood	Potential Impact	Policy Response
		(Red= high likelihood; Yellow = medium likelihood; Green = low likelihood		
Domestic	**Unexpected shift in the Covid-19 pandemic**			
Domestic	**Downside**: The disease proves harder to eradicate (e.g., due to difficulties in finding/distributing a vaccine), requiring more containment efforts and impacting economic activity directly and through persistent behavioral changes (prompting costly reallocations of resources).	**High**	**High.** A prolonged prevalance of the virus could require more severe and more frequent containment efforts and weaker external demand. This could result in weakened domestic demand, export, tourism, remittances and FDI flows.	In the near term, efforts should be focused in boosting health and social spending, targeted toward the most vulnerable groups, while mitigating against the economic costs of the pandemic. Tap external concessional borrowing to preserve external and fiscal buffers. Accelerate banking sector contingency plans.
Domestic	**Upside**: Recovery from the pandemic is faster than expected due to the discovery of an effective and widely available vaccine and/or a faster-than-expected behavioral adjustment to the virus that boosts confidence and economic activity.	**Low**	**Medium-High.** Faster recovery in domestic demand, exports, tourism and remittances would boost growth and help strenghen the reserves position. Asset positions in the financial sector could likely improve.	Accelerate tax reform to boost spending while strengthening social spending to support inclusion. Continue with financial sector reform, including accelerating compliance with prudential requirements.
Domestic	Macro-financial spillovers in the event of banking sector distress and delayed recapitalization.	**High**	**High.** Fears of bank fragility could lead to bank runs/collateral fire sales; Likely credit crunch, if weak banks cut back on lending while adjusting to new regulations; Contingent fiscal liabilities related to recapitalization and/or possible liquidity support; Pressure for further exchange rate depreciation and FX reserve depletion.	Implement contingency plans and encourage timely recapitalization; Move down the resolution ladder for non systemic banks; Continue to strengthen financial regulations and supervision to ensure financial stability and deepening while improving credit risk management of banks; Strengthen macroeconomic policy frameworks to increase responsiveness to shocks. A flexible market-determined rate will help limit reserve losses and incentive to convert to FX, but an external financing backstop would also be important to anchor expectations and respond to disorderly market conditions. Under a deeper systemic crisis a tighter macro policy stance alongside a resort to partial deposit freezes or guarantees may be needed.
Domestic	Slow progress in resolving the Rakhine state humanitarian crisis.	**High**	**High.** FDI and external financing could be strained. The risk of broader economic sanctions including potential loss of trade preferences. Delays overall economic reforms.	If development partner financial assistance is disrupted, rationalize public expenditures while preserving humanitarian spending and social sector spending; Resist monetization of fiscal deficit; Allow the exchange rate to adjust to any external financing shortfalls and actively build up reserves where circumstances allow.
Domestic	Increased monetary financing of fiscal deficit if there is shortfall in financing.	**High**	**Medium.** Sharp and persistent increases in monetary financing could put pressures on inflation, lead to a loss of monetary control, and reduce credibility in the monetary regime.	Tap external concessional borrowing, followed by gradually increased issuance of Treasury bills and bonds domestically with due regard to crowding out risks. Consider reallocating nonessential expenditure to preserve social spending until financing is secured.
Domestic	Slippages in implementing needed reforms from limited institutional capacity.	**Medium-High**	**Low-Medium.** The public sector is unable to cope with speed of reform, leading to slippages; Growth effects compounded by weaker business confidence. Failure to progress on the remedial Action Plan in response to the Financial Action Task Force gray list could create financial stability risks.	Well-tailored TA programs that focus on staff training to raise institutional capacity; Coordinate TA programs with international donors and streamline and adjust the scope of the programs, if necessary; Further promote operational autonomy of the CBM; Address AML/CFT vulnerabilities, including risk-based supervision.
External	Accelerating de-globalization	**High**	**Medium.** Weaker export growth and lower investor confidence, which could significantly reduce GDP growth and contribute to kyat depreciation.	Allow greater exchange rate flexibility to absorb external shocks; Continue with structural reforms to diversify exports and trading partners; Improve business environment to attract more FDI from other sources.
External	Higher frequency and severity of natural disasters related to climate change	**Low-Medium**	**High.** It is estimated that natural disasters in Myanmar have generated a direct economic loss of 1.82 percent of GDP every year (2006–15) on average. In addition human costs, natural disasters effect debt sustainability through damaging long-term growth and increasing borrowing for reconstruction needs from damage to infrastructure and capital.[1]	Identify and explicitly integrate risks into fiscal frameworks and budget planning; Build policy and financial buffers to enhance resilience to shocks; Enhance preparedness and invest in infrastructure that can better cope with natural hazards.

Source: IMF staff.

[1] Myanmar Selected Issues 2018; IMF Country Report No. 18/91.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Appendix I. Letter of Intent

December 18, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

We would like to thank the IMF for their swift disbursement of our request for emergency financing under the Rapid Credit Facility/Rapid Financing Instrument (RCF/RFI) in June 2020. This disbursement has been critical in allowing us to respond to the pandemic in FY2019/20. Under our COVID-19 Economic Relief Plan (CERP), we have undertaken several measures, such as a cash and in-kind transfers to vulnerable groups to most regions of the country including internally displaced camps, instituted tax payment deferrals and moratoriums on utility payments for households, and provided soft loans for MSMEs and affected sectors as outlined in the Letter of Intent (LOI), dated June 12, 2020. The Central Bank of Myanmar (CBM) has maintained its measures to ease financial conditions to support the economy as outlined in our previous LOI. The RCF/RFI has also catalyzed additional financing from other external donors including the Asian Development Bank, the World Bank, and Japan.

However, Myanmar is currently experiencing a second, more intense wave of COVID-19 infections with large impacts on human health and the economy. We have undertaken strict containment measures to curb the spread of the virus, which will hit hard processing and manufacturing sector and services sector including cut-make-pack (CMP), domestic tourism, transportation, and trading in perishable goods. On the external side, global demand remains weak and uncertain, and tourism has come to a standstill. This economic shock will exacerbate the heavy burden already being borne by lower income households, vulnerable groups and small businesses, risking even wider layoffs and business closures, while our limited healthcare system is being stretched.

As mentioned in our LOI, we had expected a balance of payments (BOP) and fiscal financing gap in FY2020/21, particularly if the outbreak intensifies. Unfortunately, domestic and global conditions have worsened since June, there remains considerable uncertainty around the length of the pandemic, and the road to our domestic economic recovery seems to be longer. We need to continue implementing the CERP, and its follow up plan, the Myanmar Economic Resilience and Recovery Plan (MERRP) to respond to immediate needs through the next fiscal year FY2020/21 and beyond. Further financing to strengthen our external buffers will be critical to maintaining macrofinancial stability. Accordingly, we expect a BOP financing gap of US$1 billion in FY2020/21.

We also expect a further deterioration in our fiscal position in 2020/21. We expect revenues to remain weak due to adverse economic conditions, while our expenditures will rise to support our policies to mitigate the impact of the virus on the most vulnerable groups and building up our healthcare infrastructure. This will widen the fiscal deficit by about 1 percentage point of GDP this year, leaving a financing gap of US$1 billion for FY2020/21.

External financing will be critical to meeting these financing needs. Domestic bank financing remains limited by capacity and could crowd out credit to the private sector. We would also like to preserve our progress in limiting monetary financing, as per the action plans withing the CERP and MERRP, and as done so by reducing CBM financing below target in 2019/20 partly as a result of the first RCF/RFI disbursement. Thus, additional RCF/RFI financing would help finance part of the temporary increased budget and current account deficit for the current fiscal year, while catalyzing support from other multilateral and bilateral creditors and reducing the risk of inflationary and external pressures monetization may bring. We will continue to avail of the Debt Service Suspension Initiative (DSSI) extension to June 30, 2021, supported by the G-20 and Paris Club.

While continuing to implement the measures outlined in our June 12 LOI, we reiterate our strong commitment to ensuring that crisis resources are used transparently and effectively, including from the RCF/RFI disbursement and DSSI. We have made progress in this regard and will continue to strengthen public financial management as follows:

- *Fiscal accounts and budget monitoring*. We have published on the MOPFI website the first quarterly budget monitoring report (FY2019/20 Q3) identifying COVID-19 related spending with the agreed upon timeliness (3 months of the end of the quarter) along with consolidated GFS accounts. We will continue to work with the World Bank and Fund CD to improve the coverage of COVID-related spending and track-expenditures on a more timely basis through technological solutions and adopt a new chart of accounts in FY2021/22.

- *Strengthening procurement transparency*. We have published on the MOPFI website information on procurement contracts on COVID-19 related spending above MMK 100 million, including the names of the awarded companies and their beneficial owners, the specific nature of the goods and services procured, their price per unit where available and overall contract amount along with the ex post delivery reports.

- *Enhancing auditing*. We have reached an agreement with the Office of the Auditor General for Myanmar (OAGM) to conduct a financial audit of COVID-19 related spending and are on track to disseminate a report within 6 months of the end of the fiscal year by March 2021. The Office of the Auditor General is benefiting from CD from ADB, WB and Norway, and will also undertake risk-based audits of broader spending from FY2020/21. The external audit will be assisted by existing internal audit teams monitoring such expenditure through the implementation of the draft Internal Audit Manual with Fund CD.

- *Improving cash management and coordination between Treasury and CBM*. The coordination committee has been operationalized and work is underway to upgrade the cash flow management implemented by the treasury under the FSDP project with World Bank support, as well as coordination with Myanmar Economic Bank and CBM on TSA lite with Bank and Fund CD.

- *Debt transparency*. We have completed the DSSI Reporting Form using current and FY2020/21 budget data and will continue publishing comprehensive public debt data through their annual Government Debt Report in accordance with the Public Debt Management Law as done in August 2020 for FY2018/19.

We are also taking broader measures to strengthen fiscal sustainability, transparency and governance. To set the foundation for a strong recovery and achieve the goals of the MSDP, we remain committed to ensuring debt sustainability is preserved, and fiscal risks are carefully managed and reported. We intend to continue with reforms, benefitting from capacity development provided by the IMF and other development partners, on strengthening tax administration, enacting the draft income tax law and rationalizing tax incentives, amending the commercial tax law as a transition step to introducing a VAT and strengthening the fiscal regime for natural resource management including developing new model Production Sharing Contracts.

We remain committed to our fiscal policy supporting the economy through to a strong recovery. The FY2020/21 budget is expansionary with special emphasis to enhance inclusivity. We intend to continue cash and in-kind transfers to the most affected and vulnerable groups, in all areas of the country, while progressively improving targeting with the support of the ADB and World Bank; soft loans and guarantees for SMEs in affected and priority sectors supported by the JICA two-step loans and the ADB funded guarantee agency to be set up, as well as moving to the next phase of PFM reforms in line with the PEFA findings with World Bank support.

We are also committed to continue developing the government securities market, improve cash management and coordination between MOPFI and CBM, reducing reliance on monetary financing, and further liberalizing interest rates and strengthening the monetary transmission mechanism. As outlined in our last LOI, we will continue to work toward upgrading the monetary policy framework, including strengthening our operational toolkit with the use of credit auctions and repos, clarify the framework for the use of the discount window and emergency liquidity assistance (ELA), and the introduction of interest on excess reserves when conditions permit, with technical assistance from the IMF.

On the financial sector, we have extended the phase in period for full compliance with the 2017 prudential regulations to end-August 2023 to allow banks time to restructure in response to the uncertain impact and duration of the COVID-19 shock. Nevertheless, we continue to benchmark banks' performance against these standards to measure the compliance gap and will incentivize banks to comply fully with the prudential regulations as soon as possible. Private domestic banks will be allowed to restructure or reschedule loans and assets impaired by COVID-19 and we are working to collect information on classifying loans affected by COVID-19 for differential treatment. State banks will continue their ongoing restructuring process guided by the World Bank's restructuring options. We will ensure that banks continue reporting their loan portfolios according to loan classification requirements in place prior to the COVID-19 and legacy NPLs reported prior to March 2020 are gradually recovered or fully provisioned. To facilitate the assessment of asset quality and solvency of the banking system, the necessary steps will be taken to carry out Asset Quality Reviews of the largest banks and adequate preparations made to strengthen the resolution framework. Any NPL resolution or bank recapitalization strategy will be undertaken in a manner consistent with reducing fiscal costs and in consultation with the World Bank and the Fund through a joint committee of the CBM and MOPFI. At the same time, we are committed to accelerating the preparation of contingency plans to better manage banking sector stress, should it materialize including setting up an ELA facility in the CBM with IMF technical assistance.

Regarding Anti Money Laundering and Combatting the Financing of Terrorism, we will continue to work with the Asia Pacific Group on the agreed time bound remedial Action Plan to remove Myanmar from its enhanced monitoring list.

Against this background, the Union Government of Myanmar requests emergency financing from the IMF in the equivalent of SDR 258.4 million, equivalent to 50 percent of quota, with a 1:2 blending ratio, under the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) with SDR 86.13 million (16.67 percent of quota) from PRGT resources and SDR 172.27 million (33.33 percent of quota) from GRA resources. The IMF assistance, to be used as budget support, will help us meet the urgent BOP needs and mitigate the near-term pressure on balance of payments and on the budget. The IMF's assistance is also expected to catalyze additional external financing to meet current and future needs.

MOPFI and CBM have finalized a Memorandum of Understanding on their respective roles and responsibilities for servicing financial obligations to the IMF. Myanmar commits to undergo a safeguard assessment, provide IMF staff with access to CBM's most recently completed external audit reports, and authorize its external auditors to hold discussions with IMF staff.

CBM affirms that it will support the recovery efforts by maintaining an accommodative monetary stance while safeguarding domestic and external stability, with periodic reviews of its monetary stance. In its capacity as the counterparty for IMF lending to Myanmar, the resources provided under the RCF/RFI will be lent to the MOPFI. The Union Government does not intend to introduce or intensify exchange and trade restrictions and other measures or policies that would exacerbate Myanmar’s balance of payments difficulties, including not to introduce exchange and trade restrictions that would compound these difficulties.

We authorize the IMF to publish this Letter of Intent and the staff report for the request for disbursement under the RCF/RFI.

Sincerely yours,

/s/

Soe Win
Union Minister
Ministry of Planning, Finance and Industry

/s/

Kyaw Kyaw Maung
Governor
Central Bank of Myanmar