

SU/21/3

January 13, 2021

**The Acting Chair's Summing Up
Myanmar—Requests for Disbursement Under the Rapid Credit Facility
and Purchase Under the Rapid Financing Instrument
Executive Board Meeting 21/3
January 12, 2021**

Executive Directors concurred that the second wave of COVID-19 infections is putting further pressure on Myanmar's health system and economy, resulting in additional financing needs. Against this backdrop, they agreed that a second disbursement under the Rapid Credit Facility (RCF) and purchase under the Rapid Financing Instrument (RFI) should help mitigate economic and social costs and catalyze additional financing, including under the Debt Service Suspension Initiative.

Directors commended the authorities' significant progress in implementing the spending transparency commitments made during the first RCF/RFI request. In this context, they stressed the importance of further enhancing governance, transparency, and accountability measures to ensure the appropriate use of the emergency financing. Directors recommended leveraging capacity development and technical assistance from the Fund and other development partners to further the reform agenda.

Directors welcomed the continuation of the COVID-19 Economic Relief Plan and the new Myanmar Economic Resilience and Reform Plan. They agreed that fiscal spending should focus on containing the pandemic's fallout, boosting healthcare and providing transfers to affected and vulnerable groups. In particular, Directors called for greater efforts to extend equitable and better-targeted support across the country, including to conflict regions and ethnic minorities. While recognizing that the overall risk of debt distress remains low, Directors underscored that relying on concessional financing is key to limit the monetization of the fiscal deficit and its risks. Moreover, they called for further progress on a medium-term revenue strategy, strengthening public financial management, and a framework for better monitoring and managing fiscal risks.

Directors viewed the accommodative monetary policy stance as appropriate and welcomed that the Kyat has been allowed to adjust flexibly, with limited rules-based interventions managing excessive short-term volatility. Going forward, Directors recommended enhancing the effectiveness of the monetary policy framework and further building external buffers.

Directors called on the authorities to strengthen the banking sector's stability. They welcomed the authorities' commitment to monitoring non-performing loans (NPLs) and the preparation of contingency plans to better manage banking sector stress. Directors underscored that conducting asset quality reviews of systemically important banks, followed by a comprehensive strategy for NPL resolution and bank recapitalization, is critical. They also stressed the importance of addressing gaps in the AML/CFT framework.