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Statement by the Hon. **KYAW KYAW MAUNG**,
Governor of the Fund for **MYANMAR**

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Governor of the Fund for Myanmar

**Honorable Chairman,
President of the World Bank Group,
Managing Director of the International Monetary Fund,
Fellow Governors,
Distinguished Delegates,
Ladies and Gentlemen**

It is an honor for me to represent the Government of the Republic of the Union of Myanmar at this 2017 Annual meeting of the Board of Governors of the World Bank and International Monetary Fund.

First of all, I would like to convey my sincere appreciation to the President of the World Bank Group and the Managing Director of the IMF for warm hospitality and excellent arrangement of this Meeting.

Mr. Chairman,

I would now like to share some major developments in Myanmar in recent years. The Government has been striving in its earnest efforts in implementation of many reforms, giving priorities mainly to reduce poverty, foster job creation, rural development, promoting education, health and overall quality of life of the people.

After the slowdown of economic growth in the first half of 2016 mainly caused by the heavy flood in Mid-2015 which deteriorated agricultural output and declined investment in oil and gas sector, Myanmar's economic growth rate is projected to grow by 7.0 percent in 2017/18 with the recovery in manufacturing, construction and agriculture sectors while foreign direct investments are expected to increase.

Inflation had reached at double digit in November 2015 caused by money supply growth resulting from Central Bank of Myanmar's purchases of government securities and the increase in food and rental prices. However, due to the implementation of cash reserve requirement policy instrument and stepping up the deposit auction, T-bills and T-bond auctions, inflation declined to 6.8 percent in FY 2016/2017 and is expected to stabilize at around 6.2 percent in FY 2017/2018. The deposit auction introduced in 2013 allows market driven interest rates and more terms of deposits with greater participation by commercial banks and greater flexibility for the CBM to target specific types of banks in the deposit auctions. The introduction of Treasury bill auctions in January 2015 has reduced central bank financing of the fiscal deficit, thereby decreasing inflationary pressures stemming from fiscal expansion. Furthermore, the Treasury bond auctions launched in mid-September, 2016 and allowing the purchase of government securities by foreign banks will further promote the development of the Treasury bond market.

The exchange rate regime has been moved from fixed exchange rate regime pegging to the SDR to managed floating exchange rate regime since April 2012. As in the initial stage of transition, the daily reference rate for US Dollar is determined through foreign currency auction. The government has taken various possible steps to reduce the divergence between the official reference rate and market rate. As a result, the divergence between the CBM reference rate and the market rate has narrowed and the exchange rate is smoothly fluctuating within +/- 2 percent. This will help deepen the foreign exchange interbank market. In addition, Myanmar has been trying to develop on interbank market. Since April 2016, Myanmar has allowed banks to engage bilateral interbank lending and interbank market deposit in order to support the development of the banking sector and facilitate management of liquidity.

On financial sector front, the government has made significant progress in improving regulatory environment including enacting new laws and regulations, upgrading prudential regulations, revising supervisory framework, and developing supervisory techniques in line with international standards in order to strengthen and modernize the financial system. Several laws have been enacted, namely, the new Foreign Exchange Management Law (August 2012), the new Central Bank of Myanmar Law (July 2013), the Securities Exchange Law (July 2013), Anti-Money Laundering Law (April 2014) and the Financial Institutions Law (2016) with technical assistance from the Bank and the Fund.

In order to achieve greater access to international markets, the CBM has, thus far, granted the banking license to thirteen foreign banks. The presence of foreign bank operations are expected to promote greater use of technology, encourage international standard practices in the banking industry and achieve greater access to international markets.

To develop greater financial access and promote a more inclusive financial system, the government has taken steps to expand the branch network of the banking system, encourage microfinance, and enhance innovations in ATMs, point-of-sale systems and mobile banking. The Mobile Banking Regulation was issued in 2013 and Mobile Financial Services Regulation was issued in 2016 in order to expand mobile banking network the participating of mobile money market and mobile payment through international mobile network operators, non-bank Financial Institutions and others financial services providers. The regulation on the Credit Information Reporting System was also issued in March 2017, which provides a basis for the establishment of Credit Bureau in Myanmar.

In addition, the payment and settlement system has been further enhanced with the establishment of the CBM Net system. In order to improve payment and settlement mechanism, Real Time Gross Settlement System (RTGS) and Mechanized Clearing House (MCH) has been conducted since January, 2016.

A number of accomplishments have also been made in the AML/CFT area. Anti-Money Laundering Law and the Counter Terrorism Law were enacted in 2014 and its accompanying regulations 3 have been issued in 2015. For the compliance by banks and financial institutions, CBM has issued a Risk Management Guidance Note and the updated risk based CDD Directive in 2015. As a result, FATF removed Myanmar from the list of countries under ICRG process in June 2016.

Myanmar authorities also place great importance on strengthening institutional foundation and capacity. Some programs are still ongoing and include, among others, introducing the “Modernizing the Funds, Payment and Securities Settlement Systems” project, developing the interbank foreign exchange market and money market, implementing new accounting standards and preparing a financial sector development master plan with the technical assistance from the World Bank, the IMF and regional community.

Mr. Chairman,

In conclusion, I would like to take this opportunity to express our sincere appreciation to the Bank’s and the Fund’s staff for their significant engagement with Myanmar and for their support of valuable technical assistance for socio-economic development and policy advice through annual Consultation Missions and staff visits. We will continue to work closely with the Bank and the Fund for promoting effective cooperation and collaboration. We look forward to receiving continued support from the Bank and the Fund.

Thank you!