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Statement by the Hon. **WIN SHEIN,**
Governor of the Bank for **MYANMAR**

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Honorable Chairman
Honorable Dr. Jim Yong Kim, President of the World Bank Group
Honorable Madam Christine Largarde, Managing Director of the IMF
Fellow Governors, Distinguished Delegates, Ladies and Gentlemen

It is indeed an honor and a privilege for me and my delegation to be part of the Annual Meetings of the World Bank Group and the International Monetary Fund, held in Lima, the beautiful city of Peru. I would like to thank the Government and the people of the Republic of Peru for their warm hospitality and kind meeting arrangements.

The Annual Meetings coincide with the end period of the 2015 MDGs. I am delighted that the 2015 MDGs agenda has brought about remarkable improvements in the lives of millions of people. However, there remain many issues unsolved, while new challenges arise in today's world. I am very pleased that through the global collective work again, a new anti-poverty agenda is coming up as the 2030 Sustainable Development agenda. I very much welcome the multilateral development banks' plan to provide over US$ (400) billion to support for the first 3 years of the 2030 agenda and the joint initiative by the Bank and the Fund to support development countries' tax systems particularly to help increase LICs' taxes by at least 2 to 4 percent of GDP. Here, I would assure Myanmar's commitment to work harder under the 2030 Sustainable Development Goals (SDGs). Through the action of SDGs, we would regain sustainable global growth and better development results, I believe.

I note that global growth projection for 2014 remained unchanged at 3.4 percent, reflecting improvements in advanced economies and a continued slowdown in China, other emerging and developing economies. Investment slump and financial market disruptions in China led the country's growth to slow to 7.4 percent and 6.8 percent in 2014 and 2015-2016. In contrast, India's growth is expected to rise from 7.2 percent in 2014 to 7.5 percent in 2015, reflecting policy reforms, increased investment and low oil price. While emerging economies accounted for over 70 percent of global growth in 2014, advanced economies also play a role as they rebounded in 2014, with 1.8 percent growth, which is expected to rise to 2.4 percent in 2015 and 2016, largely contributed by the U.S. The U.S. registered 2.4 percent growth in 2014, 0.7 percentage point higher than it was earlier expected. This growth is projected to increase to 3.1 percent in 2015 and 2016, supported by consumption, increased jobs, low oil price, reduced fiscal drags, improving housing market and investment in the U.S. Euro area and Japan are also healing- with growth projections for 2015-2016, rising to 1 percent and above, reflecting low oil price. Accordingly, global growth is projected to increase a bit to 3.5 percent in 2015 and 3.8 percent in 2016.

However, the new challenges - the low oil price and large exchange rate volatility - plus old risks, namely, aging and low productivity growth in both advanced and emerging economies; weak investment; weak financial conditions in global markets; capital outflows from emerging economies; geopolitical tensions and natural disasters could undermine global growth. More risks may arise from the recent incidents of migrant crisis facing many European countries. While Europe is grappling with the legacies of the 2008 global crisis and the Greek debt crisis, migrant issues may pose some more downside risks to the euro area economy, which just picked up. What should we do then to contain risks and sustain global growth?

Cautiousness is greatly needed in normalizing the U.S. monetary policy, so as not to engender disruptive factors such as higher costs of borrowing, capital flights from emerging markets, etc. Global oil consumption may revive as global growth escalates over the medium term, and upward adjustment in oil price would follow, reducing downside pressure on oil exporting economies. Key answers to sustain growth would include the following: boosting infrastructure investment; structural reforms and further liberalization in trade and investment; improvement in technology and human capital for raising productivity growth; diversification of economic activities; protecting environment; and greater regional financial cooperation. For fiscal and monetary policy tools to play an increased role, their spaces are limited particularly in developing economies. In this context, policy conducts need to be more prudent and flexible.

In fact, the said conventional prescription is familiar to all of us. The question is how far we can translate them into practical steps. Persisting economic issues we are facing have twined together with complex issues from the political, social and environmental realms. And they go global. To further eradicate legacies of the global economic crisis, geopolitical tensions, inequalities, gender disparities, and many other poverty issues, we need steadfast political will, more consolidated international policy coordination, better delivering on shared responsibility, and innovative partnerships. The Bank and the Fund continue to play key roles in bringing these indispensable values together, putting them into work so as to alleviate risks, re-build sustainable growth and meet our ultimate development ends. I highly appreciate the IFI's initiatives for enhanced support to the developing countries in the new course of development agenda.

Let me now turn to recent developments in Myanmar economy. Myanmar's ongoing reforms in political, economic, financial and social sectors have yielded favorable outcomes. On the political front- various political parties, social organizations, release of political prisoners and press freedoms - have emerged since the reforms started in 2011. The country is now preparing for its general elections to be held on November 8, 2015. Recently, the Government of Myanmar has brought forth a historic achievement in its peace process, i.e. signing a draft ceasefire agreement with 16 armed ethnic groups. This is going to reach a final agreement before the general elections. The country's economic transition process is continuing well, gaining favorable growth momentum. Myanmar's real GDP growth rates for 2013/14 and 2014/15 were revised upward to 8.4 percent and 8.7 percent from earlier projections of 7.8 percent and 8.5 percent, respectively. Acceleration in growth was supported by increased investment and better performances mainly in manufacturing, construction, tourism, and natural gas production. Myanmar's investment ratio increased from 29.19 percent in 2011/12 to 29.88 percent in 2012/13, 31.4 percent in 2013/14 and 35.12 percent in 2014/15. On account of expected upward trend in FDI inflows in energy and manufacturing industries, GDP growth in 2015/16 was projected at 9.3 percent. However, this estimation was made before severe flood caused by Cyclone Komen in late July 2015. As the damages affected by the flood have reached a great scale of natural disaster, growth in 2015/16 can be weaker than previously expected. With economic expansion and increased domestic demand, CPI inflation rose from 2.82 percent in 2011/12 to 2.85 percent in 2012/13, 5.72 percent in 2013/14 and to 5.9 percent in 2014/15. Liberalization has resulted strong domestic demand, culminating in 20.9 percent import growth that outpaced export growth of 11.8 percent in 2014/15. Accordingly, the current account deficit widened to 6 percent of GDP in 2014/15 from the previous year's level of 5 percent of GDP. With regard to exchange rate, Myanmar is carefully handling the impacts of the U.S. dollar appreciation, giving attention to maintain price stability, while nurturing foreign exchange interbank market and taking steps towards Article VIII obligations. Gross international reserves in 2014/15 stabled at the level to cover 3 months of imports. On the other hand, reflecting increased access to credit, increased businesses, and development of additional credit facility to Small and Medium Enterprises, credit to the private sector remained high at 35.5 percent in 2014/15. Recently, Myanmar has encountered severe floods, which damaged a broad cultivated area. Securing assistance from all corners - domestic non-government organizations and international community including the World Bank, the Government takes the lead in rescuing flood-affected people and doing post-flood recovery activities. Nevertheless, there is inflationary risk posed by the severe floods. Regarding the 2014/15 fiscal deficit, it is estimated at 3 percent of GDP, up from slightly over 2 percent of GDP in 2013/14, reflecting wage increase in the public sector. In 2015/16, the fiscal deficit is expected to be maintained at a level less than 5 percent of GDP, through greater mobilization of revenue and expenditure reprioritization.

Reforms have continued in order to further improve investment and business environment, enhancing macroeconomic management capacity; promoting efficiency in the financial sector; modernizing banking and finance activities including initiating an electronic payments and settlement systems; strengthening supervisory and regulatory regimes in banking and finance; streamlining economic and financial reforms to support more inclusive growth with special emphasis on SMEs development and financial inclusion; and implementing plan under the purview of the recently established Securities Exchange Commission of the Ministry of Finance (the MoF) to establish Yangon Stock Exchange in December 2015. Additionally, plans for developing the government securities market have been put in place. Accordingly, a Securities Steering Group and Working Group have been formed with senior officials from MoF and the Central Bank of Myanmar.

Much progress was seen in reforms. Necessary legal establishment has taken place in all sectors, underpinning greater business investments. With incentives for investors to enjoy a widened business opportunity, longer term land lease, and favorable tax and customs treatments, the new Foreign Investment Law in 2012 helped attract greater FDI inflows. A new Special Economic Zones law was enacted in January 2014 and recently Thilawa SEZ, one of the very promising SEZs in Myanmar, was opened to help boost export and economic competitiveness. Simultaneously, in collaboration with the International Trade Centre and Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ), Myanmar is developing the National Export Strategy. State-owned Enterprises reforms are also continuing under privatization schemes and streamlining programs. For overall development, infrastructure projects are being implemented mainly in transport, energy and telecom sectors, while health, education and rural development are accorded priorities. To achieve greater access to international markets, the Central Bank of Myanmar granted approval to nine foreign banks in last October to prepare for commencing banking operations in Myanmar. All these nine banks have been granted final licenses.

I would like to extend my sincere appreciation to the Bank and the Fund for their useful cooperation in our reforms. The Bank provides IDA-16 financing programs, namely, Reengagement and Reform Support Credit, National Community Driven Development Project, 120 MGW Natural Gas and Combined Power Plant Project, Telecommunication Sector Reform Project, Modernization of Public Finance Management Project, and Decentralizing Funding to Schools Project. More projects would be provided under IDA-17. The Bank has provided TAs in reforming public financial management system, focusing on transparency, accountability, ensuring debt sustainability, and widening fiscal space. Of particular importance in this regard was the government's public commitment in December 2012 to the goal of joining the Extractive Industries Transparency Initiative (EITI). Myanmar was accepted as an EITI candidate in July 2014. Then, in October 2014, Myanmar successfully hosted the 28th EITI Board Meeting and the Natural Resource Governance Conference. Myanmar is now implementing to meet the EITI Standards. Another key reform step taken with the Bank's cooperation was organizing the Treasury Department in the MoF, with a view to developing cash and debt management functions based on market practices reducing reliance on central bank financing. In this attempt, the Treasury bill auction has started in January 2015. Reform in the tax system has also been supported by the Bank and the Fund, emphasizing on broadening tax base and improving tax administration. Efforts were made to introduce the value-added tax and property tax; simplify the tax system; develop the necessary legal and administrative framework and implement EITI. To help improve tax compliance and tax administration, the Large Taxpayer Office was established in 2014 under the Internal Revenue Department of the MoF. Moreover, in cooperation with the Bank, studies are being made for state-owned banks reform, while new banking laws are being processed with the help of the World Bank and the IMF. We will continue our structural reforms under the National Comprehensive Development Plan.

In conclusion, on behalf of Myanmar Government and Myanmar people, I would reiterate our words of thanks to the Bank and the Fund for their all valuable support to our development endeavors. I look forward to receiving to the Bank's and the Fund's continued support and cooperation to further solidify the work of our economic, financial and social reforms. I wish the missions of the Bank and the Fund achieved as they move ahead and many more successes to them. Thank you.