IMF: May monitor Myanmar's economic progress under fund program

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Washington - The International Monetary Fund is near a deal with the Myanmar government for a program to monitor the country's economic plans as it struggles to reverse its place as one of the poorest countries in Asia.

After decades of military rule and one of the worst human rights records in the world, the country of 48 million people is striving to remake itself as a democratic and open-market economy. To award and encourage the government in capital Naypyidaw, the country's largest international creditors are negotiating debt relief while Myanmar lawmakers build new political and economic institutions.

The IMF said Wednesday that it had reached an understanding that could form the basis of a possible staff-monitored program during January-December 2013. There would be no financial assistance involved in the program.

"Myanmar has embarked on a historic set of reforms to modernize and open up its economy," Myanmar mission chief Meral Karasulu said after returning from a two-and-a-half week visit to the country. "Managed well, these reforms will facilitate strong and inclusive growth that reduces poverty," he said.

The fund said changes to the country's economic policy are already bearing fruit, expecting the country to grow at around 6.25% this year and next, fueled by growing foreign investment in natural resources and commodity exports. Among its reforms, the government has floated its exchange rate, begun modernizing its financial sector and increased spending in critical areas such as health, education and infrastructure.

Still, the IMF says Myanmar has much work to do.

"First, consolidating exchange rate unification, which will be an important foundational step for securing macroeconomic stability, while at the same time boosting competitiveness and trade," Ms. Karasulu said. That requires moving capital flows from the informal market to the formal market and removing exchange restrictions, he said.

The country also needs to strengthen the Central Bank of Myanmar, bolstering its core functions so it can better manage monetary policy. Also, Naypyidaw needs to contain its budget deficits and begin a long process of tax changes that boost revenue and developing a government securities market.

"With a commitment to strong reforms, Myanmar has the potential to vastly improve the living standards of its people and emerge as Asia's next rising star," Ms. Karasulu said.