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May 29, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Ms. Al Saud on The Bahamas
(Preliminary)
Executive Board Meeting 20/65
June 1, 2020**

We thank staff for the well-focused report as well as Ms. Levonian and Ms. Vasishtha for their helpful Buff statement. We are in broad agreement with the staff appraisal and would limit our remarks to a few issues.

- 1. We support the authorities' request for financial assistance under the RFI to address urgent balance of payments and fiscal needs.** The COVID-19 pandemic has hit The Bahamas while it was still recovering from the devastation caused by Hurricane Dorian. The Fund's assistance is necessary to support the authorities' in limiting the human and economic costs of the pandemic and should play a catalytic role in attracting additional external support. The draw down in international reserves to meet financing needs is as staff say, significant and leaves reserve adequacy only just above the relevant threshold. *Can staff comment on the potential to catalyze further external support in order to retain a higher level of reserves? How does the reserve adequacy metric compare for countries highly vulnerable to natural disasters?* Safeguarding the level of international reserves will be critical to the CBOB efforts to maintain the credibility of the peg and ensure macroeconomic stability. Here, we support the authorities' cautious approach to further monetary easing given the need to carefully manage foreign exchange pressures. We note staff's assessment that public debt is sustainable and that the capacity to repay the Fund is adequate. We recognize The Bahamas track record of economic policies and its commitment to re-focus on fiscal consolidation post-crisis.
- 2. We welcome the authorities' policy response to minimize the cost of the COVID-19 pandemic.** The authorities' have reoriented expenditure towards health, protecting jobs, and supporting the most vulnerable households and firms. In addition, financial stability should be preserved, including by maintaining credit risk standards as rightly committed by

the authorities. We welcome the authorities' commitment to ensure transparency in crisis-related spending and adherence to best practices in procurement and contract awards related to the pandemic.

3. **Once the pandemic abates, the authorities need to resume their focus on rebuilding buffers and strengthening resilience.** In this context, we welcome the authorities' commitment in bringing public debt on a clear downward path and pursuing their fiscal consolidation targets as specified under the Fiscal Responsibility Act (FRA). To this end, revenue mobilization, enhancing tax administration and public financial management, reviewing SOE governance are important. Finally, we are encouraged by the authorities' commitment to work closely with the FATF and continue taking the appropriate measures to ensure that The Bahamas adheres to international best practice in AML/CFT framework.

With these remarks, we wish the authorities further success.