

SU/22/63

May 5, 2022

**The Acting Chair's Summing Up
The Bahamas—2022 Article IV Consultation
Executive Board Meeting 22/41
May 4, 2022**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the strong economic rebound, supported by the authorities' decisive policy response and the recovery in tourism. Directors cautioned that downside risks to growth persist, including from rising inflationary pressures and pandemic-related uncertainty. In that context, Directors stressed the need to safeguard the recovery, preserve debt sustainability, and promote sustainable, inclusive, and diversified growth.

Directors emphasized the importance of rebuilding buffers and ensuring debt sustainability in the context of a medium-term fiscal consolidation plan. Noting that sizable financing needs are likely to persist, Directors also encouraged a more robust debt management strategy. They commended the authorities' efforts to enhance revenue administration and stressed the need for a meaningful tax reform and expenditure rationalization to create space for health, education, and investment spending, as well as targeted support to the most vulnerable. Reforms of state-owned enterprises and pensions as well as improvements in fiscal transparency and accountability would be important steps to help strengthen credibility.

Directors noted that the peg to the US dollar has been an anchor for macroeconomic stability. They encouraged the central bank to allow interest rates to rise, as necessitated by market conditions. Directors highlighted that a temporary tightening of capital flow management measures could be appropriate if the global market environment deteriorated sharply. They also called for amendments to the Central Bank Act to safeguard its independence.

Directors recognized the potential of the Sand Dollar to foster financial inclusion and recommended that the central bank accelerate its education campaigns and continue strengthening internal capacity and oversight. A robust supervisory and regulatory framework for the growing virtual assets sector would also be important.

Noting the resilient financial sector, Directors highlighted the importance of further strengthening bank recovery and resolution and the AML/CFT frameworks. They encouraged measures to update the supervisory framework for bank intervention to ensure effective utilization of early warning indicators.

Directors emphasized that well-targeted structural reforms would enhance productivity and resilience. They called for measures to address education gaps and the expected slow recovery in private investment. Directors recommended advancing energy sector reforms and modernizing public services. They called for strong efforts to address vulnerabilities to climate change and natural disasters, including through a comprehensive disaster resilience strategy, and highlighted the important role of the donor community.

It is expected that the next Article IV consultation with The Bahamas will be held on the standard 12-month cycle.