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January 20, 2021

**Statement by Mr. Moreno and Ms. Rivera Molina on The Bahamas
(Preliminary)
Executive Board Meeting
January 22, 2021**

We thank the staff for their informative report and Ms. Levonian and Ms. Smith for their helpful buff statement. The Bahamas entered the pandemic just as it was recovering from the economic slowdown caused by hurricane Dorian, making the impact of COVID-19 unprecedented with the sudden halt to tourism – the main source of income for the country – causing a further economic contraction in 2020. We commend the authorities for their swift response, nonetheless, the country still faces a lot of challenges given the prevailing uncertainty and its exposure to climate change.

Fiscal policy. We praise the authorities on their commitment to strengthening fiscal responsibility and transparency, thus the improvements in the policy framework leading to the Bahamas’ removal from the EU’s list of Non-Cooperative Jurisdictions for Tax Purposes. We take note of the recent submission to parliament of the Fiscal Strategy Report (FSR) and all steps taken by authorities on fiscal consolidation, which will help address the pandemic-related needs and prioritize spending. We encourage authorities to step up their efforts on tax expenditures review and tax reforms, and to continue efforts to clear arrears.

The monetary policy response by the Central Bank of Bahamas (CBOB) seems appropriate, though we agree with staff that some of these measures might be consider capital flow management measures (CFMs), and underscore staff’s recommendation to the authorities to be vigilant and remove them once the conditions improve.

We congratulate the CBOB on the launching last October of Sand dollar – the first state-backed digital currency in the world – that has come to modernize The Bahamas’ payment system. We recognize this great achievement but are also aware of the risks entailed, thus, we encourage the CBOB to continue closely monitoring, including under the AML/CFT framework. This project and its success can be set as a model for others. *We would welcome staff comments on the development of the project.*

COVID-19. We commend the Government's initiative to develop a national COVID-19 Vaccination Plan, to acquire the vaccine to help mitigate the spread of the pandemic and reactivate tourism. As more population get vaccinated, this will help reestablish the tourism sector.

AML/CFT. We welcome progress made by the authorities on improvements to AML/CFT legislation. As the Bahamas is now removed from the list of Financial Action Task Force (FATF), further efforts are needed to reinforce implementation.