



Ministry of
Finance

PRESS RELEASE

Statement on the Use of SDRs by the Government of The Bahamas

Source: Ministry of Finance, The Bahamas
Date: 4 January, 2023
Contact: Financemail@bahamas.gov.bs

The Ministry of Finance is aware of statements in local journals on 4 January 2023 characterizing the Government's use of Special Drawing Rights (SDRs) as "borrowing" or "printing money" which are misleading. The Government is not borrowing from the Central Bank and creating money. Instead, the Government is using resources provided by the IMF for a legitimate purpose as outlined by the IMF in its guidance notes on the treatment and use of the SDRs.

The IMF issued a total of \$650 billion in SDRs in August 2021 to assist countries worldwide with both fiscal and monetary policy initiatives in the aftermath of the COVID 19 pandemic. As a shareholder, The Bahamas received an allocation of these SDRs for its use. By design, these uses could include debt management as well as external reserve rebuilding--depending on the prevailing domestic circumstances and priorities. While the use of the SDRs creates a liability to the Central Bank, it is only because the Central Bank Act (the Act), in its current form, does not accommodate the use of the SDRs in the manner prescribed by the IMF.

In the context of the ongoing strong domestic recovery and reserve adequacy position, as well as existing market conditions, the policy decision was made to leverage the favourable terms of the SDRs for external debt servicing and other fiscal purposes. It should be noted that, while the Government's broad debt management objectives continue to focus on minimizing the cost and risk of debt, the financing strategy/borrowing plan could vary based on prevailing global conditions.

The prospective amendments to the Central Bank Act, which will be brought to Parliament shortly, will codify the terms established in the governing Memorandum of Understanding (MOU). It will also modernize the Act and facilitate the proper classification of this transaction as contemplated by the IMF.

The Ministry of Finance is committed to the Government's mandate of full transparency and timely reporting. The public is encouraged to visit the national Budget Website (www.bahamasbudget.gov.bs) to remain current on this and any other fiscal matters.

#####