

**Preliminary observations by Ms. Attiya Waris,
United Nations Independent Expert on foreign debt, other
international financial obligations and human rights
on her visit to The Bahamas, 21-31 August 2023**

Nassau, 31 August 2023

Introduction

At the invitation of State authorities, Ms. Attiya Waris, United Nations Independent Expert on foreign debt, other international financial obligations and human rights conducted a visit to The Bahamas from 21 to 31 August 2023. This is the third visit of a Special Procedures mandate holder after the visit of the Special Rapporteur on Trafficking in 2013 and the Special Rapporteur on violence against women in 2017. Another visit of the Working Group on Arbitrary Detention is expected in November 2023.

The Independent Expert expresses her sincere gratitude to the Government of The Bahamas for its invitation and the level of cooperation and openness from all state authorities. She is grateful for the constructive discussions that she held with state authorities' representatives including the Prime Minister, the Minister of Foreign Affairs, the Attorney General, the Ministry of Finance, the Ministry of Social Services and Urban Development, the Ministry of Labour and Immigration, the Supreme Court, the Central Bank, the Financial Intelligence Unit and the Administration of Abaco.

The Independent Expert also exchanged views with representatives of civil society, private sector and academia. She would like to thank them all for their precious insights and also the insights from the people of the Bahamas who shared their insights freely throughout her visit.

Background

The Bahamas is an archipelago of over 700 islands and 2,400 cays, stretching from about 80 km (53 mi) off the coast of Florida almost to Haiti. Only around thirty of the islands are inhabited. The country achieved independence from the United Kingdom on 10 July 1973, and is now a fully self-governing member of the Commonwealth and a member of the United Nations, the Caribbean Community and the Organisation of American States.

The 2022 census disclosed that the population of The Bahamas totals 399,314, 192,544 males and 206,770 females. 90.30% of the population lives on New Providence (74.26%), Grand Bahama (11.89%) and Abaco (4.15%), while the remaining 9.7% is scattered on the other islands and cays.¹

The Bahamas is party to seven core international human rights instruments, namely the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child, and the Convention on the Rights of Persons with Disabilities. The Bahamas is a member of the Organisation of American States, it has not ratified the American Convention on Human Rights, but is party to the Inter-American Convention on the Prevention, Punishment and Eradication of Violence Against

¹ <https://www.bahamas.gov.bs>

Women (Convention of Belem do Pará). The Bahamas is not a member of the World Trade Organisation and is not a member of the Kimberly Process.

The Bahamas does not have a National Human Rights Institution that complies with the Paris Principles (Principles Relating to the Status of National Human Rights Institutions). An Ombudsman Bill has been submitted to Parliament in 2023, but has not been passed yet.

Foreign debt adapted to the specific economic and environmental context of The Bahamas

The Bahamas is considered to be a high-income country and, with a GDP per capita in 2022 of \$31,458, one of the highest-income countries in the Caribbean.² It has the highest income of any Black-majority independent state in the world, and it is the only one of the larger states in the Caribbean to have so far managed, since independence, to avoid a bailout program from the International Monetary Fund (IMF).³

Being designated as a high-income country, the Bahamas does not generally qualify for development assistance and has very limited access to concessional funding by international financial institutions, such as the World Bank. Despite a high GDP per capita, of \$31 458⁴, the cost of living is extremely high in The Bahamas. It has been estimated that the gross living wage required to maintain a basic but decent standard of living is \$52 800 in New Providence, and higher in other islands of the country, for example as high as \$69 000 in Grand Bahama⁵. At the same time, the minimum wage is \$260 per week, which is equivalent to \$13 556 per year⁶. As a consequence, despite having the highest GDP per capita in the region, Bahamas has a Human Development Index of 0.812, below other countries with much lower GDP⁷.

The Bahamian economy is a ‘service-based’ economy, heavily reliant on tourism and related services – including, very importantly, property development – and financial services. Tourism and property development, in particular, attract most foreign direct investment and (in principle) produce large-scale local employment and economic growth, while the financial services sector has very limited ‘social’ footprint in terms of employment and economic development. Tourism contributes to around 50 percent of Bahamas’ GDP, making the Bahamas highly dependant on the tourist services industry.⁸

However, tourism and, by consequence, the economy of Bahamas are highly vulnerable to external shocks including, increasingly, climate change. According to the Notre Dame Global Adaptation Initiative (ND-GAIN), the Bahamas is classified as highly vulnerable to climate change, with one of the highest exposures to tropical cyclones, and with an overall vulnerability index above the average for Latin America and the Caribbean. After being hit by five major hurricanes in the last decade, Hurricane Dorian in 2019 caused \$3.4 billion in damages, which is almost 25 percent of the GDP of the country⁹. In the last decade, the Bahamas has already suffered

² <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?contextual=region&locations=BS>

³ <https://foreignpolicy.com/2023/01/15/the-hidden-history-of-the-worlds-top-offshore-cryptocurrency-tourist-trap/>.

⁴ World Bank open data <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=BS>

⁵ L. Archer et al. A Living Wage for The Bahamas. University of the Bahamas https://journals.sfu.ca/cob/index.php/files/article/view/427/pdf_93#:~:text=With%20statutory%20Page%2010%20140.and%20%243550%20for%20Grand%20Bahama

⁶ Bahamas’ National report submitted pursuant to Human Rights Council resolutions 5/1 and 16/21 to the 4th UPR cycle (<https://www.ohchr.org/en/hr-bodies/upr/bs-index>) at para. 66.

⁷ UNDP <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

⁸ IMF, ‘The Bahamas: 2022 Article IV Consultation – Press Release; Staff report; and Statement by the Executive Director for the Bahamas’, *IMF Country Report No. 22/131* (May 2022) 49.

⁹ Bahamas’ National report submitted pursuant to Human Rights Council resolutions 5/1 and 16/21 to the 4th UPR cycle (<https://www.ohchr.org/en/hr-bodies/upr/bs-index>) at para. 12.

damages related to natural disasters estimated at 3.2 percent of GDP per year on average, the second largest in the region and disasters such as floods, droughts, and hurricanes are becoming more frequent and severe¹⁰. Those changes would severely affect the tourism industry and it has been shown that hurricanes affect wages and employment, as well as household income and finances.¹¹ **The impact of COVID19 on tourism** caused a sharp decline in the economy of the Bahamas with a 24 percent decrease of GDP; unemployment reached 25% in 2020 and was estimated at around 18 percent at end-2021.¹² The twin disasters of Hurricane Dorian and the COVID-19 pandemic have been estimated to cost The Bahamas a combined \$13.1 billion¹³.

The fiscal outlook of Bahamas has been severely impacted by the consequences of Hurricane Dorian and the Covid-19 pandemic. According to figures provided by the IMF¹⁴, because of the recovery and reconstruction from Hurricane Dorian, and a few months later the collapse in revenues and the response measures required by the pandemic (food assistance, extension of unemployment benefits duration, tax deferrals and business loans), the fiscal deficit reached 13.7% of GDP in the fiscal year 2020/21 (FY 2020/21). Public debt steeply rose to 75% of GDP in 2020 (from 50% ca. of GDP in 2015) and to 103.3% GDP by end-2021. In 2023, general government gross debt is still at 83.3% of GDP (above average in the region) and is expected to remain more than 15 percentage points above pre-pandemic levels by FY2026/27. In May 2022, the IMF assessed The Bahamas' consolidated public sector debt, including the debt of state-owned enterprises, to be 'sustainable but vulnerable to shocks' (although on certain specific assumptions). Average credit rating of public debt instruments has progressively decreased and, since 2020, is classified as non-investment grade (see Figure 6, below)¹⁵. This means that the Bahamas currently has very limited access to international financial markets for financing or refinancing purposes.

According to the latest FY2023/24 budget, 19.9% of the Bahamas' recurrent expenditure in 2023/24 will go to repay interest on public debt, 13.2% to subsidies and only 7.7% to social benefits.¹⁶ 52% of public debt interest repayments will go to non-residents (these include both institutional creditors – in particular the Interamerican Development Bank – as well as private financial institutions and bondholders).¹⁷

Notwithstanding the severe dependence on tourism, the devastating consequences of hurricane Dorian and the impact of COVID-19, Bahamians have shown great resilience, managing to invert the curve and start decreasing the levels of public debt since 2022.

Faced with the problems of internal inequalities, disparity between cost of living in Bahamas compared to most other countries within the region, and with the disparity between its GDP and its human development index, the Bahamas classification as a high income country limits its access to international financial institutions and international development aid, having no choice but to acquire loans at higher rates, shorter terms and less favorable conditions in the private international bond market.

¹⁰ IMF, '[The Bahamas: 2022 Article IV Consultation – Press Release; Staff report; and Statement by the Executive Director for the Bahamas](#)', *IMF Country Report No. 22/131* (May 2022) 49.

¹¹ IMF, '[The Bahamas: 2022 Article IV Consultation – Press Release; Staff report; and Statement by the Executive Director for the Bahamas](#)', *IMF Country Report No. 22/131* (May 2022) 49.

¹² *Ibid.*, 34.

¹³ Bahamas' National report submitted pursuant to Human Rights Council resolutions 5/1 and 16/21 to the 4th UPR cycle (<https://www.ohchr.org/en/hr-bodies/upr/bs-index>) at para. 12.

¹⁴ IMF, '[The Bahamas: 2022 Article IV Consultation – Press Release; Staff report; and Statement by the Executive Director for the Bahamas](#)', *IMF Country Report No. 22/131* (May 2022) 5 and 8-10.

¹⁵ IMF, '[The Bahamas: 2022 Article IV Consultation – Press Release; Staff report; and Statement by the Executive Director for the Bahamas](#)', *IMF Country Report No. 22/131* (May 2022) 5 and 8-10.

¹⁶ The Bahamas, '2023/2024 Draft Estimates of Revenue and expenditure', https://bahamasbudget.gov.bs/media/filer_public/ac/ac/acac6406-e335-481d-a981-dc2a5a75cded/fy2023-24_budget_20230531-final_031300.pdf.

¹⁷ *Ibid.*, p. 98 ff.

The use of maximum available resources for the fulfilment of economic, social and cultural rights and the geographical diversity of the Bahamas

As explained above, the cost of living is considerably higher in less populated islands, for instance, the estimated living wage was 30% higher in Grand Bahama compared to New Providence. The geographical circumstances of these islands require specific attention as to their needs for transportation and supplies and the impact of those in all other rights, including the rights to food, education, adequate housing, health care and culture.

Furthermore, the Islands of Grand Bahama and Abaco were severely impacted by hurricane Dorian, for example in Abaco 6331 houses were damaged and only 1871 were not, the total damage in housing has been estimated at \$1313 million¹⁸. The reconstruction in Abaco is still underway.

In this context, the government has undertaken multiple measures to contribute to the reconstruction of the infrastructure in the island. Some of these measures include the temporary tax relief in VAT, business licenses and customs taxes. Currently, the exemption of VAT on construction materials is still applicable but will be ending at the end of September 2023¹⁹.

Illicit financial flows

On 4 October 2022, the Council of the EU added The Bahamas to the EU list of non-cooperative jurisdictions for tax purposes (a revision of the list is scheduled for October 2023) due in particular to concerns that having ‘a zero or nominal only rate of corporate income tax. The EU considers that the Bahamas is “attracting profits without real economic activity (criterion 2.2 of the EU list)”, solely for the purpose of tax avoidance.²⁰

To address the concerns raised, The Bahamas has undertaken a certain number of initiatives. The Financial Intelligence Unit (FIU) cooperates with other jurisdiction in the investigation of suspected illicit financial flows. It has experienced a clear increase in the reception of reports of suspicious transactions. In the recent years, the unit has undertaken several MoUs with other jurisdictions who requested it to further its collaboration, even if the FIU of The Bahamas does not itself require a MoU to engage with other jurisdictions²¹.

The Central Bank has also undertaken a series of reforms of its Guidelines on the Prevention of Money Laundering & Countering the Financing of Terrorism²². Additional resources have been allocated to anti-money laundering supervision, including establishing an anti-money laundering Analytics Unit responsible for developing and maintaining the anti-money laundering Supervisory Framework, data collection, and macro analyses²³. In case of non-respect of the Financial Transactions Reporting Act 2018, the Central Bank can impose monetary penalties. The Central Bank of the Bahamas has also engaged in a business intelligence solution: SWIFT Scope. It is expected to increase the capacity to identify patterns that could lead to a better detection of

¹⁸ Zegarra et al, Impact of Hurricane Dorian in The Bahamas: A View from the Sky, Interamerican Development Bank.

https://publications.iadb.org/publications/english/viewer/Impact_of_Hurricane_Dorian_in_The_Bahamas_A_View_from_the_Sky.pdf

¹⁹ Information provided orally by authorities, the IE has requested written information on the matter.

²⁰ <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>

²¹ More information will be submitted by the government as requested by the IE.

²² <https://www.centralbankbahamas.com/viewPDF/documents/2023-04-06-17-20-05-CBOB-AML-CFT-Guidelines-Revised-6-April-2023.Final.pdf>

²³ According to information submitted by the authorities

suspected illicit financial flows. The solution is in advanced stages of implementation and expected to be fully realized by autumn 2023²⁴.

It has also been reported that the higher scrutiny given to the banking system had caused difficulties on domestic small businesses and individuals when engaging with commercial banks for basic services. As a response, the Central Bank has adopted the Streamlined Requirements for Account Opening, Provision of Financial Services, and Customer Identification²⁵.

The Bahamas has also created a Registry of Beneficial Ownership under the Register of Beneficial Ownership Act, 2018. The Registry is managed by the Office of the Attorney General. Information is added to the system by registry agents from the companies themselves or by individuals. There are penalties for those who do not register. There are currently around 40 000 active companies in the registry. Access to the registry is provided through the office of the Attorney General, some of the institutions that have access include the Police, regulators of the financial market such as the Central Bank, the Ministry of Finance, the Finance Intelligence Unit or the Securities Commission²⁶. Other jurisdictions can request information through the international unit of the Office of the Attorney General.

Conclusion

The Bahamas is currently faced with great challenges in particular owing to its ranking as a high income country in the current climate change context, these challenges greatly affect its capacity to maintain a stable economy and develop progressively while raise funds to provide for the basic needs of its population, but also to adapt and rebuild repeatedly after the increasing occurrence of natural disasters. Climate change is a phenomenon for which all States are collectively responsible, international cooperation and assistance needs to take on a more tangible angle with granular support to small island developing and big ocean states such as The Bahamas in facilitation of economic recovery. .

Therefore, the IE suggests to the authorities of the Bahamas exploring the following steps:

- To the develop domestic human rights indicators that could replace the average income as a domestic measure for wealth, and would take into account the specific socioeconomic and environmental context of the Bahamas.
- To invest in collecting reliable data and statistics for the purposes of new indicators.
- To rebase its GDP and ensure that other socioeconomic indicators, such as the human development index, vulnerability and multidimensional indices as well as climate focused indices be considered when determining its access to international funding, public foreign debt and development aid.
- To claim that other indicators, outside of GDP per capita, are taken into account when it comes to their access to concessional debt and other financial instruments.
- To engage in long-term financial and economic planning, considering a possible refocus of its economic model and diversification of its economy, but above all using innovation to take into account the new reality that it faces in the current climate change crises.
- To diversify its economy and increase innovation and food security taking into account the instability of current economies and the exposure of tourism to climate change impacts and other phenomena.
- To maintain tax exemptions and other support given to the family islands affected by the hurricanes, in particular those aimed at fulfilling basic human rights, are sustained until the reconstruction is realised.

²⁴ Information provided by the Central Bank.

²⁵ Information provided by the Central Bank.

²⁶ More details will be provided by the authorities.

- To increase its scrutiny of the banking system to prevent any illicit financial flows and to increase its collaboration with other jurisdictions in the investigation of suspicious transactions and on the recovery of assets of illicit origin including money transfer systems.
- Create a national human rights institution that complies with the Paris Principles Relating to the Status of National Human Rights Institutions.

The IE also recommends the international financial institutions and States:

- To be cognizant of the many socioeconomic and environmental challenges that the Bahamas face and consider that lower rates should be applied to countries in vulnerability owing to climate change such as small islands States.
- To contribute to the Loss and Damage Fund substantively and to adequately identify the value of the loss and damage suffered following natural disasters and other negative effects of climate change, including hurricanes, loss of surface to the sea and increased sea temperatures.
- To join the call for a global tax body.
- Give more concessional loans and cancel debt related to hurricanes and other climate disasters.

Ends
