

# State of the Nation Report

VISION  
2040  
NATIONAL DEVELOPMENT PLAN  
AS OF THE BAHAMAS



**VISION2040**  
NATIONAL DEVELOPMENT PLAN OF THE BAHAMAS



# State of the Nation Report

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You may also contact the NDP Secretariat at:

-  (242) 702-5500
-  INFO@VISION2040BAHAMAS.ORG
-  FACEBOOK .COM/VISION2040BAHAMAS
-  @VISION2040BAHAMAS
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# Introduction

Twenty-five years is a generation.

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In 25 years, people born today will be entering their most productive years. They will be marrying, settling down and starting families and careers.

This report examines the current situation in The Bahamas after just over 40 years of independence. The report also begins the discussion on the way ahead – to The Bahamas we want to exist 25 years from now, in 2040.

## **What kind of country will the generation born today live and work in – a prosperous one or one devoid of opportunities where they just get by?**

Will the Bahamians born today remember their formative years as a time of hope and improvement or one of declining opportunity and increasing social unrest? Will they remember the country of their childhood as a secure and welcoming place that nurtured them or will they speak of it with regret as a place where the most promising option was to leave?

This report focuses on an agenda of hope. It is anchored in the belief that Bahamians can and must make a better future for themselves. It is the start of a roadmap to a better future – a future of social inclusion, peace and prosperity; a future where everyone matters.

This report summarises the state of the nation based on an analysis of the nation's current performance with respect to the four key pillars of development namely: Human Capital, Governance, the Environment and the Economy. It represents the culmination of over a year's worth of research on the State of the Nation and provides the basis for the National Development Plan (NDP).

## **The Four Pillars for the Future**

There are four pillars on which The Bahamas of 2040 will stand: the **Human Capital** of its citizens; the strength of its **Governance** arrangements; the resilience of its **Natural and Built Environment**; and the robustness of the Bahamian **Economy**. This report deals with each of them in turn. They are inter-related; none of them stands alone and each has an impact on the others.

**Human Capital** is about people – who they are, how they are educated, how they work, how they get along, and how they are supported in times of need. People are the first pillar.

A country's human capital is the sum of its people's education, skills and training, and their ability to use their knowledge in their work. It is influenced by their health and by the programmes, institutions, laws and social services that contribute to a stable civil society.

A healthy, educated, peaceful, inclusive and law-abiding population is best-placed to face the future. Page | 7

**Governance**, the second pillar, focuses on how people and the country are managed. It is about the institutions that exist and how well they work. It is about how people engage with their government and the kind of institutions, such as a free press, which support that engagement.

A stable, democratic country whose citizens feel empowered and engaged, and whose government is forward-looking, capable, able to manage the challenges it must face, and can embrace the future with confidence – that is The Bahamas of 2040.

The **Environment** looks at what nature has given the country and at what Bahamians have built to support themselves. As such, this third pillar is the foundation for the physical well-being of individuals and the support system for a modern economy.

The natural environment includes water, air, soil, flora, fauna, land and minerals. Without these elements, there is no country. These cannot be taken for granted because both climate change and environmental degradation undermine the natural infrastructure on which lives depend.

The built environment encompasses what people have created with the natural capital. It is the buildings, utilities and services that provide shelter, clean water and energy, and the means to communicate, travel and sustain the food supply. Built infrastructure is the basis on which economies are developed to improve lives. With solid, efficient and functioning infrastructure, the path to the future is made easier.

The **Economy** comprises that which is produced when human capital, governance and infrastructure interact effectively. It is the generator of wealth, ownership and jobs and is a reflection of a country's ability to combine what nature has given with the skills and the knowledge of its people to create prosperous, sustainable and interesting lives.

An economy functions best, and creates more wealth, when it can count on educated people, working in diversified industries, producing products and services that are in demand both locally and abroad, supported by able managers, an attractive regulatory environment and modern, cost-effective infrastructure. These factors give an economy the support and the flexibility to face whatever the future can bring.

# Governance of the NDP Project

The national development planning process is people driven to ensure the creation of a plan which is durable beyond political cycles and credible enough to withstand challenges. It is imperative that the Bahamian people see themselves as owners of this process. The process therefore requires close collaboration between the government, academia, the private sector and civil society through the creation of an inclusive Steering Committee.

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On the government side, the entire Cabinet has been tasked with overseeing the NDP work. The Economic Development and Planning Unit was established within the Office of the Prime Minister to help guide the NDP process and is supported by a number of technical committees consisting of both private and public sector representatives.

The College of The Bahamas continues to play a critical role as a partner in the development of the State of the Nation Report by providing research and leadership and assisting with events, facilities and consultations. As The Bahamas' premier tertiary institution, it is important that the College takes a leadership role in devising the future course of the country. Most significantly, the College has also agreed to be a long-term partner with the government in monitoring the implementation of the Plan.

**Table 1: The National Development Plan Steering Committee**

Member	Position
<b>Mr. Felix Stubbs</b>	Chair
<b>Dr. Rodney Smith</b>	Deputy Chair
<b>Mr. Gowon Bowe</b>	Member (Economy)
<b>Mrs. Eleanor Phillips</b>	Member (Environment)
<b>Mr. Stuart Bowe</b>	Member (Tourism)
<b>Mrs. Ruth Millar</b>	Member (Public Sector)
<b>Mr. Joseph Gaskins</b>	Member (Youth)
<b>Mr. Carey Leonard</b>	Member (Grand Bahama)
<b>Mr. Shaun Ingraham</b>	Member (Family Island Development)
<b>Ms. Aliya Allen</b>	Member (Financial Services)
<b>Mr. Anthony Hamilton</b>	Member (Civil Society)
<b>Mr. Obie Ferguson</b>	Member (Labour)
<b>Mr. John Pinder</b>	Member (Labour)
<b>Mr. Carl Oliver</b>	Member (Economy)
<b>The Central Bank of The Bahamas</b>	Member (Economy)
<b>The Democratic National Alliance</b>	Member (Governance)
<b>The Free National Movement</b>	Member (Governance)
<b>The Progressive Liberal Party</b>	Member (Governance)

# The National Development Plan Process

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The NDP process consists of three phases. The first phase is a diagnostic of the four key pillars: Human Capital, Governance, the Environment and the Economy. The output of this stage is this State of the Nation Report.

The second phase consists of national consultations. To date, the NDP Secretariat has held sessions in 9 Family Islands (Grand Bahama, Andros, Inagua, Exuma, Cat Island, Abaco, Bimini, Eleuthera, and Long Island) and met with scores of stakeholders and stakeholder groups across The Bahamas. Bahamians have also had the opportunity to provide their input on the National Development Plan through social media, by attending town hall meetings, a national survey and through one-on-one meetings with the Secretariat. The information received from the consultations is being compiled and will provide input for the National Development Plan.

The third phase involves the drafting of the NDP document. The NDP will include a National Vision, National Goals, Strategies to meet each of those Goals and Action Plans for each of the Strategies. To assure accountability, the NDP will also suggest timeframes for each action and highlight the responsible stakeholder.

**Table 2: The Process**



# Identifying Our Strengths

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## Human Capital: Significant improvements are underway

- Well funded education sector at 13% of total budget - among the highest percentage in the world
- Well trained teachers: 100% public teachers meet minimum requirements
- High primary enrollment rates; high literacy rates
- Growing investments in health care including access
- Modern hospitals and highly trained health professionals
- Multitude of government programmes aimed at supporting individuals and communities
- A strong sense of national pride
- Collective awareness of cultural traditions and Bahamian identity

## Governance: Stable with strong traditions

- Stable democracy with a multi-party system, healthy elections and engaged citizens
- Scores very high by international standards on political, media and civil freedoms
- Some level of decentralization and local decision making on Family Islands
- Large, well trained, professional police force High police per capita
- Independent judicial system
- Swift Justice programme successes
- Efforts underway to strengthen citizen security programmes
- Declining number of property crimes

## The Environment (Built and Natural): Our Core Assets

- Recent infrastructure improvements
- Roads of high quality against regional standards
- International airports,
- Water and Sewerage infrastructure
- Excellent deep water port (Freeport) with room for expansion – able to service superpanamax ships, and fourth largest oil terminal for transshipment in the world
- High Internet and cell phone penetration
- Electricity supplied to all major islands; BEC operates 29 generating plants in 25 Island locations
- Bountiful natural marine environment and a tropical climate
- Legislation and international protocols in place to help protect the environment

## Economy: Gateway to the Americas

- Stable currency and effective monetary policy
- Location: next door to one of the largest markets in the world: the USA
- Natural resources: land and water resources associated with a tropical archipelago
- Significant foreign investment
- Low tax regime
- Recent infrastructure improvements including expanded and improved Lynden Pindling Airport on New Providence – supporting an increase in international and domestic airlift;
- Progressive action to restructure the financial sector towards more value added services
- Reliable banking system
- Market recognition in tourism and financial services



# Facing Our Challenges

Human Capital: Social progress slowdown	Governance: Governance arrangements that do not support a modern Bahamas	Environment: Highly vulnerable natural and built environment	Economy: Highly vulnerable, undiversified and underperforming economy
<ul style="list-style-type: none"> <li>• Changing cultural values towards material gain, work and ethics</li> <li>• At risk youth that do not have the support they need</li> <li>• Community decay and ghettoisation</li> <li>• High levels of criminal behaviour, particularly murder</li> <li>• High levels of intergenerational and new poverty</li> <li>• Many citizens unequipped to reach their full potential as a result of poor education and training outcomes</li> <li>• High levels of “unwellness”</li> <li>• Immigration challenges leading to social exclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Poor or absent strategic planning and coordination within government</li> <li>• Inadequate levels of accountability, monitoring and evaluation which affect service delivery</li> <li>• Lack of a campaign finance framework</li> <li>• Lack of inclusive engagement at the local level</li> <li>• Uneven performance of public service agencies</li> <li>• Public service recruitment methods and code that does not meet the need of a modern public service</li> <li>• High levels of crime</li> <li>• Inadequate protections around certain human rights, including gender equality</li> <li>• Poor government communications, including mechanisms to incorporate citizen feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Archipelagic makeup increases the development challenge</li> <li>• Some communities with inadequate housing, sanitation and community infrastructure</li> <li>• Lack of value placed on the natural environment combined with poor solid waste management</li> <li>• Aging public infrastructure that does not support a modern economy or inclusive national development (energy, transportation, access for persons with disabilities)</li> <li>• Lack of long-term infrastructure planning</li> <li>• Complicated land tenure and registration processes</li> <li>• Lack of integration of modern technology, GIS, ecosystem valuation, hazard planning, adaptation and mitigation services</li> <li>• Lack of preparedness for inevitable climate change</li> </ul>	<ul style="list-style-type: none"> <li>• High costs of doing business inhibit private sector growth</li> <li>• Complicated business environment, which affect both small and large businesses</li> <li>• Economy which is dominated by one sector and one market</li> <li>• Immature value chains across most sectors</li> <li>• High debt burden which constrains the government's ability to respond as required</li> <li>• Low levels of competitiveness and productivity</li> <li>• Low levels of household financial resilience, including personal financial planning</li> <li>• Immature financial sector development</li> <li>• Misunderstood economic policy</li> </ul>

# Human Capital

In a small country like The Bahamas, every person must pull his or her own weight.

Looking ahead to 2040, there is one question Bahamians can ask to assist in focusing their thoughts about the country's human capital: **"What would it take to make every Bahamian a productive person?"**

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The Bahamas is one of the most stable and prosperous countries in the Caribbean region. Its population of about 384,000 is young, but aging, and grew by 15.8% between 2000 and 2012. Just over 40% of the population is under the age of 24. (See Box 1.) The infant mortality rate has steadily declined from the 1970s<sup>1</sup>, and life expectancy is on an upward trend. The adult literacy rate and the per capita GDP, at 95% and \$22,217<sup>2</sup> respectively, are both among the highest in the Caribbean. Tourism, the country's main industry, employs half the labour force and directly and indirectly accounts for about 60% of the Gross Domestic Product (GDP). The financial services industry employs 10% of the population and generates 10-15% of GDP.

Other statistics, however, paint a more complex story - one of increasing poverty, violent crime, poor educational outcomes and skills training that do not reach the people who need it most. Many young people find themselves without the necessary hard and soft skills to find and keep employment and some, frustrated, turn to socially destructive behaviours. Employers report that finding workers with the required skills or work habits is difficult; therefore, many resort to foreign hires, particularly for manual labour. Many of these entry-level labourers soon become among the poorest people in the country.

At the other end of the spectrum, some of the high-level jobs – such as managers in the tourism industry, bankers, accountants and specialised tradesmen – are filled by non-Bahamians.

## Bahamians are getting older and more diverse as a people.

The Bahamas is also grappling with the phenomenon that some Bahamians go abroad to earn degrees, but many do not return citing limited job opportunities and lower salaries at home.

The growing inequities tear at the country's social cohesion. Incidents of violent crime, particularly murder, are high despite downward overall crime trends in recent years.

<sup>1</sup> Infant mortality stands at 9.9 per 1,000 live births in 2015, down from a high of 27.2 per 1,000 live births in 1972. Source: World Bank Development Indicators (2015).

<sup>2</sup> World Bank data as at 2014

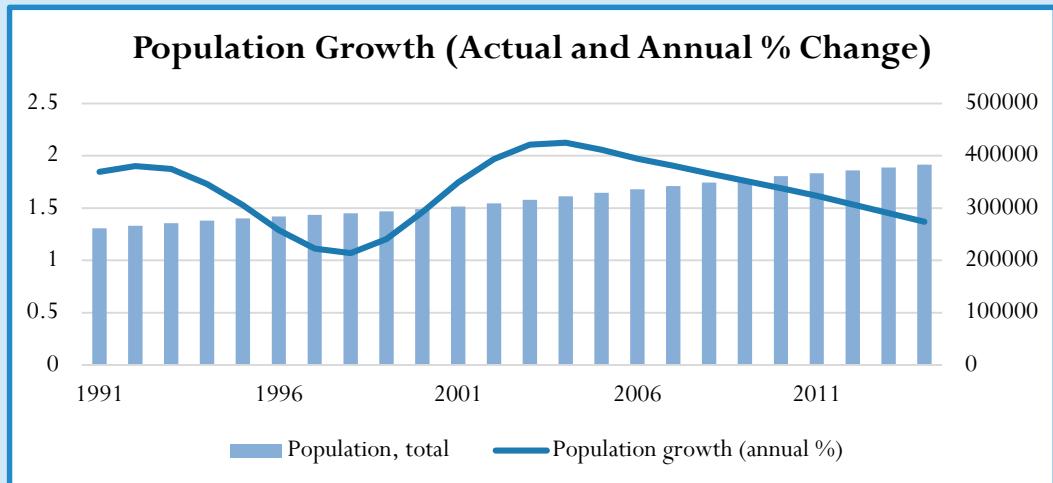
There is a recognition that The Bahamas must build up its human capital — its population's education and work skills — so that everyone can contribute to the economy. This must be supported by health and social services that help guarantee long-term stability and security.

### Box 1 - A Changing Demographic

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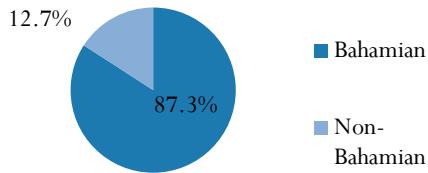
While the population is increasing, the rate of growth of the population has been steadily declining since 2004, falling to an annual rate of 1.37% in 2014, from a high of 2.13%. Total population in 2014 was 383,054, an increase of just over 60,000 persons in ten years. The main drivers of growth can be attributed to an influx of migrant workers with 17.3% of the population being categorized as non-Bahamian in 2010, up from 12.7% in 2000. The majority of the new residents were from Haiti. In 1970, persons from Haiti made up 3.6% of the population; by 2010, that was up to 11.5%. Sadly, these migrants are among the poorest in the nation. Almost half find themselves in the bottom 20% for income.

**Figure 1: Population Statistics**

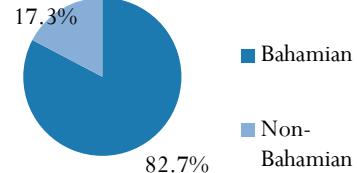


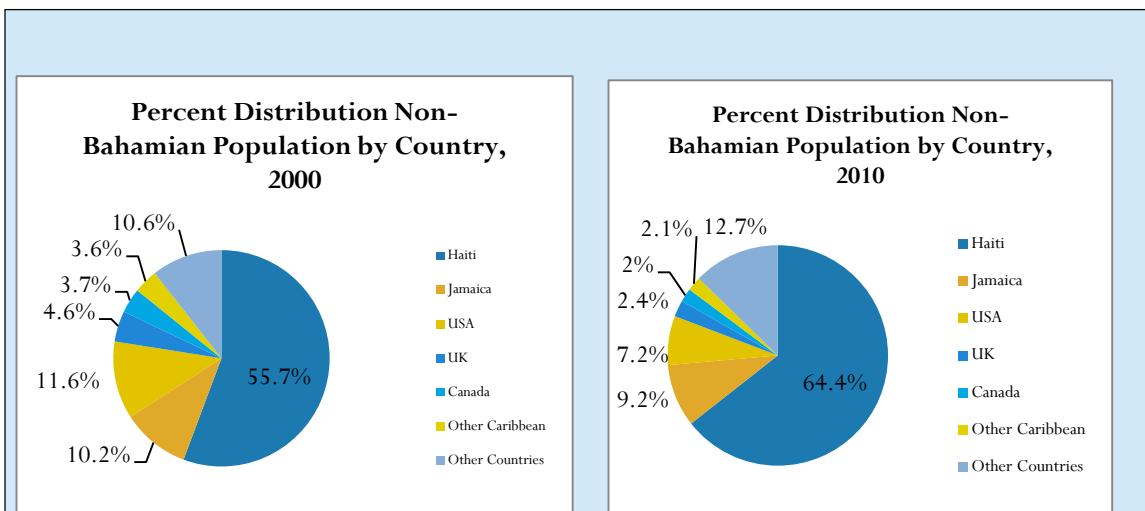
Source 1: World Bank database, [www.worldbank.org](http://www.worldbank.org)

**Percent Distribution Bahamian and Non-Bahamian Population, 2000**



**Percent Distribution Bahamian and Non-Bahamian Population, 2010**





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### Source 2: Department of Statistics, 2010 Census of Population and Housing

The fall in the population growth rate since 2004 may be partially indicative of the country's success in the repatriation of illegal migrants and family planning efforts. The last time growth rates were that low was in the late 1990s when the growth rate fell to a low of 1.07% when similar repatriation efforts were undertaken. Although lower growth rates reduce some pressure on the economy, they can also have a negative impact by changing the population demographic leading to a smaller workforce to support economic growth and an aging population over the long term. Additionally, there was a reduction in the homogeneity of the population since 2000 with the proportion of non-Bahamians as a percentage of the total population increasing by slightly over 36% according to the 2010 census. Persons from Haiti continued to account for the major portion of the non-Bahamian population, up from 55.7% in 2000 to 64.4% in 2010. There was also another significant shift in the migration pattern as the proportion of migrants from the other main sources - Jamaica, USA, UK, Canada and other Caribbean counties - all fell.

There is also great inequity in the distribution of wealth in The Bahamas. Even though its gross national income makes it the wealthiest member of the Caribbean Community (CARICOM), evidence points to a widening of income inequity and a fall in standards of living as poverty rates increased over the last decade in all age categories other than those over 65 years. For people 15 to 19 years old, the rates doubled, while those 20 to 24 years old accounted for 23.9% of the poor. More than 12.8% of the population, or 43,000 persons, live at or below the poverty line which was defined at \$4,247 in 2013. The increase in the poverty gap was evident in many of the Family Islands and New Providence.

### Figure 2: Poverty Indicators

Indicators	2001	2013
Poverty Rate (%)	9.3	12.8
Poverty Line (per person per year)	\$2,683	\$4,247
Population Below Poverty Line	27,800	43,000

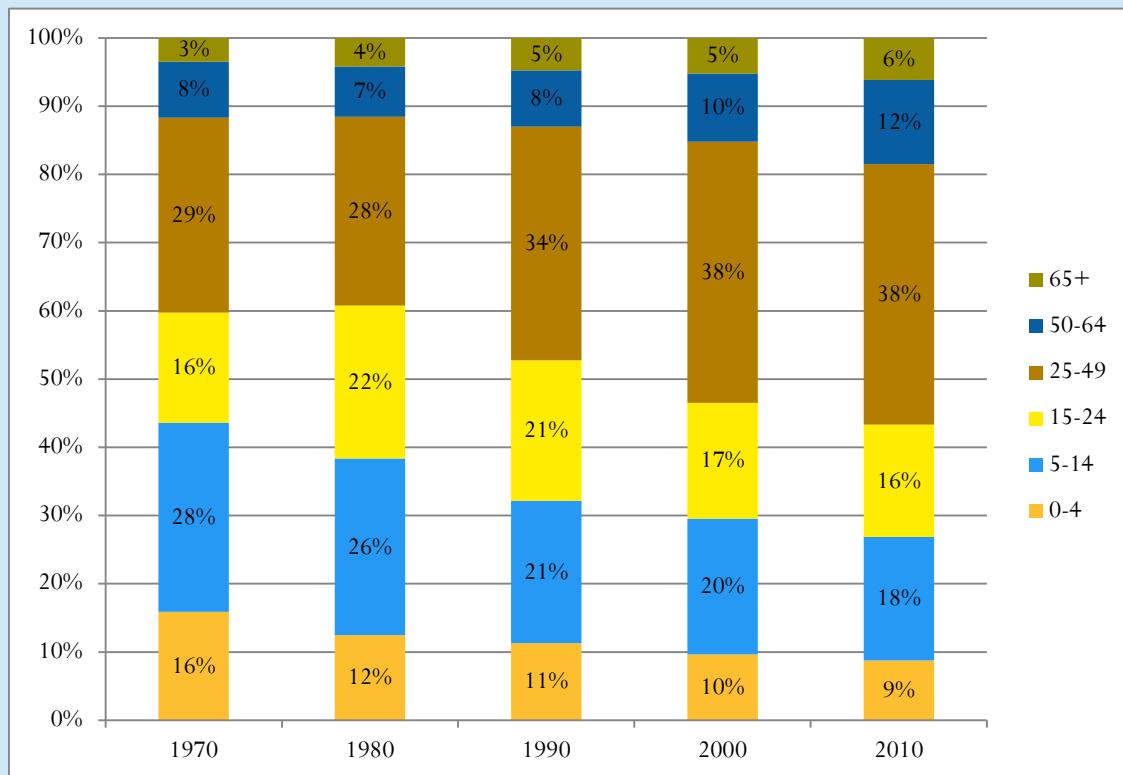
Source 3: Department of Statistics, 2013 Household Expenditure Survey (BHES)

More than half of all births were to unmarried women. A higher percentage of these single parent households were poor and there is the risk that the cycle of poverty will continue without adequate education, social and health interventions.

The Bahamas has also witnessed changes to the age structure of its population. There has been a steady decline in the share of young children under 14 as a percentage of the total population since the 1970s, reflecting declining birth and fertility rates. This factor combined with increasing life expectancy provides a demographic gift for the country. The working age population is large and growing. In 2010, the working age population (15–64 years) represented 66% of the total population compared to 53% in 1970. If properly harnessed, a large, young and diverse workforce can have positive implications for increased creativity, innovation and productivity.

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**Figure 3: Population of The Bahamas by Age Grouping Shares**



**Source 4: Department of Statistics, 2010 Census of Population and Housing**

Human Capital stands on four pillars:

- Education and training;
- Health;
- Employment and labour; and
- Social services and protection.

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Each supports and contributes to the other. As has been said frequently in The Bahamas, “a healthier nation is a wealthier nation.” Like with many such aphorisms, the reverse is also true.

### Structures Exist to Handle Problems

The Bahamas already has laws and institutions to protect and foster human capital: a stable parliamentary democracy and institutions to administer education, employment, social protection and health policies and programmes.

The vision for education is one steeped in equality of opportunity and access for all. Education is compulsory for children between the ages of 5 and 16 and free in the country’s 169 public schools. There are also 77 independent schools<sup>3</sup>, a college (soon to become the University of The Bahamas), other tertiary institutions, a National Training Agency and The Bahamas Technical and Vocational Institute. The Ministry of Social Services, the National Insurance Board and the Ministry of Labour oversee the country’s social protection systems.

There is a functioning public health system with hospitals and clinics. The Bahamas boasts a large publicly funded health sector. Funding for the public system largely derives from the national budget with contributions by the National Insurance Board and some private and external sources.<sup>4</sup> Basic health care is available to all people living in The Bahamas with treatment available for almost all illnesses and conditions. Nevertheless, the system does face significant challenges in terms of performance and efficiency and cost-effectiveness as well as equity and access, especially for specialized services.<sup>5</sup> The **National Health Insurance** (NHI) plan, scheduled to be launched on a phased basis in early 2016, is aimed not only at improving coverage but also at greater efficiency, equity, performance and accountability.

The Department of Labour is tasked with fostering good industrial relations between employer and employee while promoting a high level of employment. The Department oversees issues related to Labour Relations, Manpower and Employment, Employment Agencies, Trade Unions, Trade Disputes, Wages Councils, Labour Education, Inspections and Safety and Workmen's Compensation. In March 2015, a Tripartite Council was established between the Government, Labour and the Private sector to serve as a forum for consultation on matters related to labour, productivity, quality and

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<sup>3</sup> Ministry of Education, Science and Technology, “Education Institutions in The Bahamas: 2013-2014”

<sup>4</sup> Sanigest International, 2014.

<sup>5</sup> Sanigest International, 2014.

competition.

Social programmes are administrated through the Ministry of Social Services and Community Development and a network of civil society organizations, charities and religious organizations. Programmes exist for public assistance, old age pensions, care of indignant and aged persons, child protection and care for disabled persons. In addition, there are rehabilitative and community development services. In June 2015, the Ministry of Social Services launched the RISE (Renewing, Inspiring, Sustaining, Empowering) Programme, a conditional cash transfer programme aimed at tackling poverty, particularly among children, and improving educational and health outcomes amongst poor households.

The Bahamas' geography, however, presents unique challenges as well with discrepancies in services between Grand Bahama and New Providence, which have most of the population, and the Family Islands.

### **Human Capital Outcomes**

Notwithstanding the existence of institutions, human capital outcomes have been lackluster. For example, in previous years, only half of graduating high school students actually achieve a diploma in any given year. The other half are awarded a "certificate of attendance," meaning they went to class, but did not achieve the standard required for graduation.<sup>6</sup> These young people join the labour force but do not have the skills necessary for employment – both soft skills such as, coming to work on time or hard skills such as, the appropriate level of literacy and numeracy. In response, the Ministry of Education, Science and Technology has embarked on a number of initiatives, with some success, to improve the human capital outcomes. Other indicators showing less than desired outcomes include worsening health statistics and unemployment numbers.

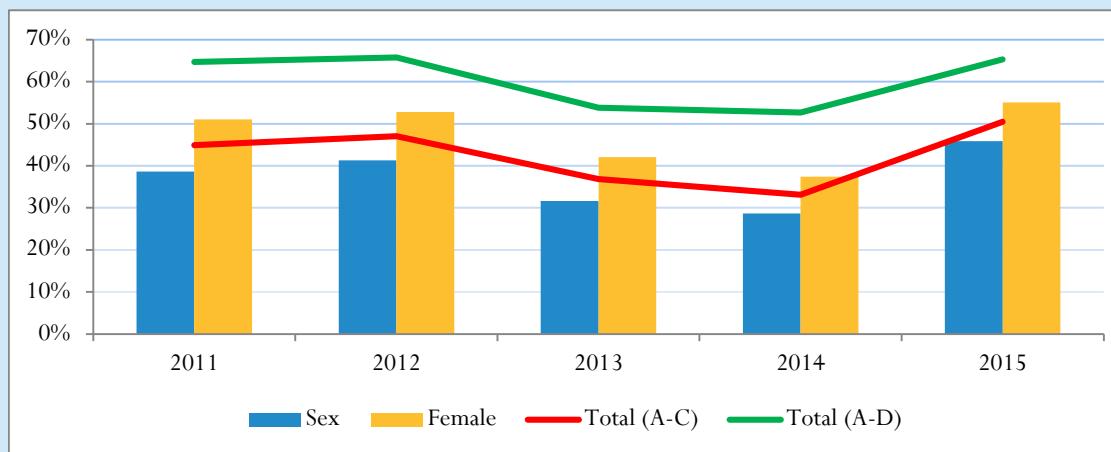
#### **Box 2 - Review of Examination Results**

**In 2010-2014, the IDB funded project - Investing in Students and Programmes for the Innovative Reform of Education (INSPIRE) – has had a positive impact on educational outcomes in The Bahamas.** Targeted to improve the quality of teaching and learning opportunities in early, secondary and post-secondary education systems as well as enhance access for students with special needs, the project's results have exceeded many of the targeted performance indicators. **Some early evidence of the project's success can be seen in the improvements in the number of students achieving grades A-C, particularly in the Grade Level Assessment Test (GLAT) 3 and 6 exams.**

<sup>6</sup> The Ministry of Education has recently introduced new national criteria for the award of the High School Diploma.

## Box 2 Cont'd

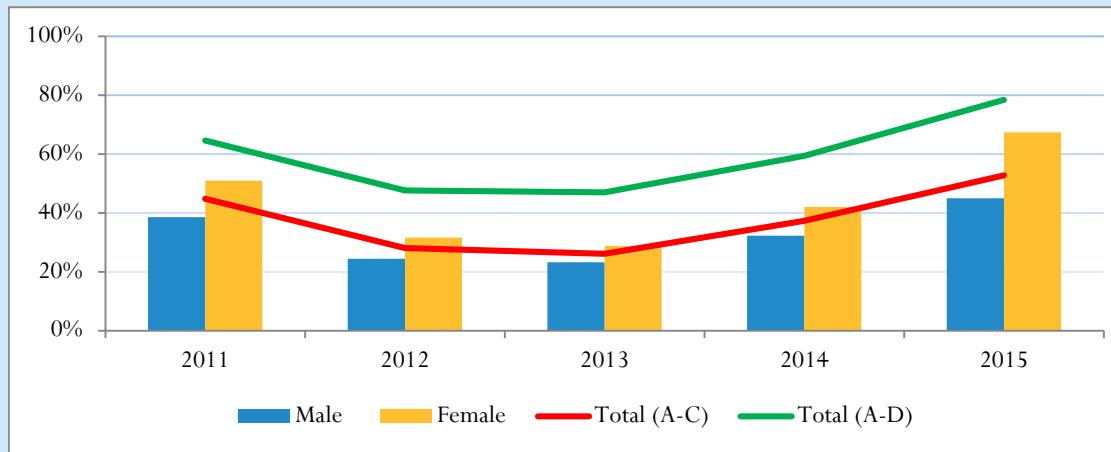
**Figure 4: Grade 3 GLAT Passes (A-C) and (A-D) 2011-2015**



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There was a marked improvement in the performance of both males and females in 2015 for GLAT results for Grades 3 and 6, perhaps highlighting the benefits of the increased focus on early education and the identification of students needing additional assistance. In 2015, 50.5% of all students achieved grades A-C, with a further 14.7% or 1567 students gaining passes at grade D. The gender gap, however, remained quite distinct.

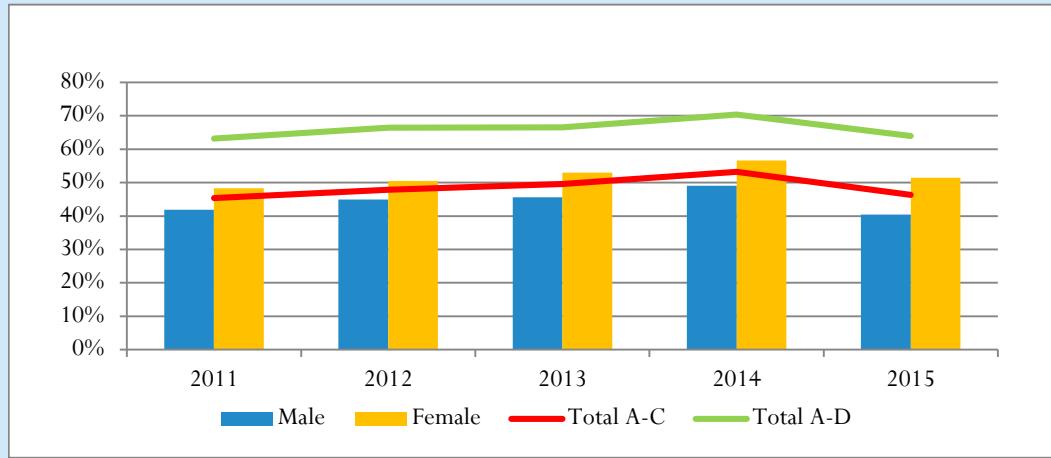
**Figure 5: Grade 6 GLAT Passes (A-C) and (A-D) 2011-2015**



As with Grade 3, the 2015 Grade 6 results were better than seen in previous years. Some 52.8% of students achieved grades A through C in 2015 compared to 28.1%, 26.1% and 37.3% in 2012, 2013 and 2014 respectively. Further, an additional 25% of students gained passes at grade D, raising the passes A through D to 78.4%. Although the uptick was seen for both males and females, the gender gap widened with males being significantly more likely to receive lower grades.

### Box 2 Cont'd - Review of Examination Results

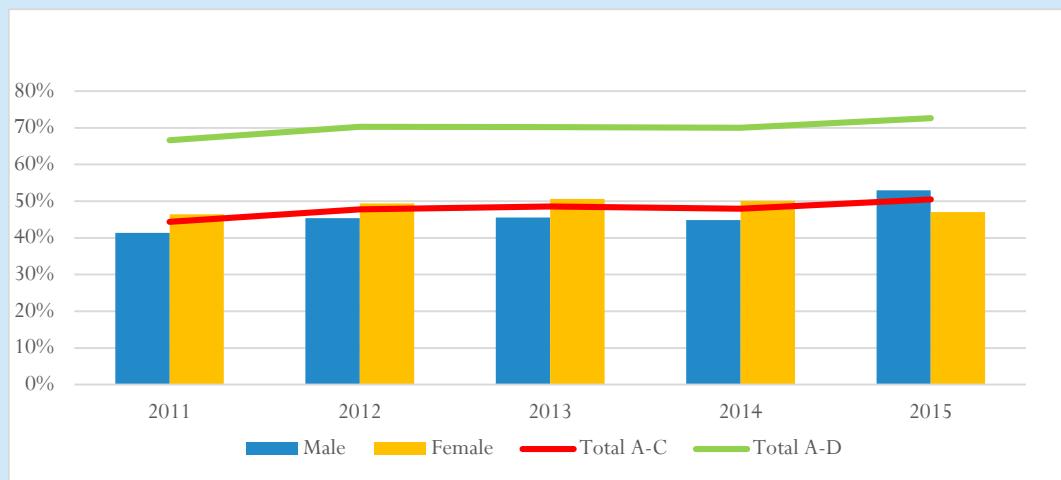
**Figure 6: BJC % Passes A-C and A-D (2011-2015)**



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The 2015 Bahamas Junior Certificate (BJC) results were also strong although slightly below the results seen in 2014 (49.5% and 53.1% respectively). However, unlike with the Bahamas General Certificate of Secondary Education (BGCSE), males continued to underperform compared to their female peers. Further, while a smaller percentage of candidates (male and female) received favourable grades (A-C), the number of candidates receiving grade U doubled. There were a total of 39,630 entries, 17.7% more than in 2014 as the Ministry mandated that all students should be entered for at least 4 exams. All subject categories, other than Art, which declined by 10.3%, registered an increase in candidate numbers. Entries for Health, Religious Studies, General Sciences and Social Studies grew by 22.8%, 18%, 14.9% and 10.7% respectively.

**Figure 7: BGCSE % Passes A-C and A-D (2011-2015)**



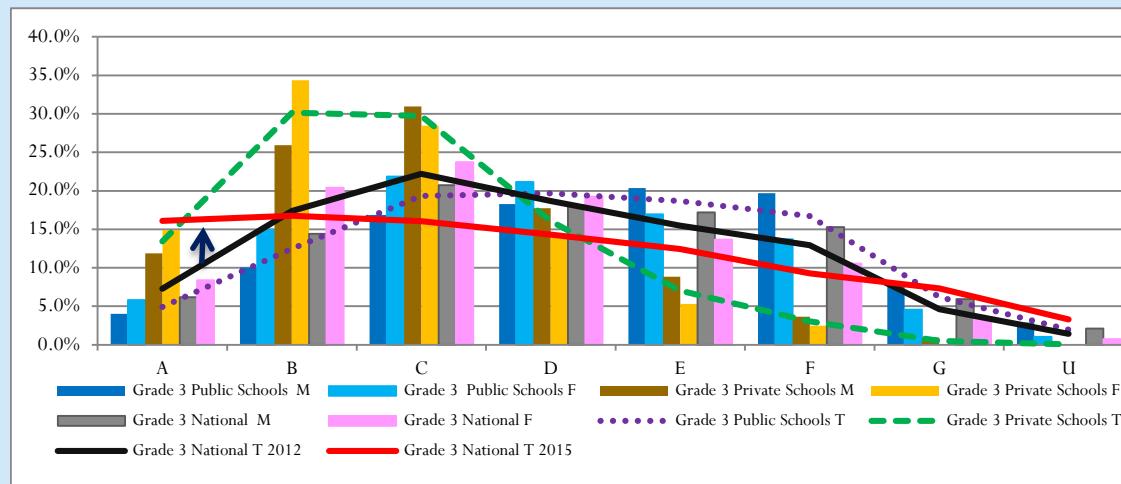
The Department of Education has seen notable improvements in educational achievements since 2011 with 50.5% of students achieving grades of C or above in 2015 compared to 44.38% in 2011. The 2015 results represent a turning point in the education systems as, for the first time, the average grade was a C. Further, there was evidence of the closing of the gender gap. While in absolute terms in 2015 more females received high grades, a larger percentage of males that sat exams achieved more favourable outcomes than females (53% and 47.1% respectively). Art, Music, Geography and History had the strongest showing as over 20% of students taking those subjects received an A.

### Box 2 – Cont'd

The 2012 results of the country's national examinations at the third, sixth, ninth and twelfth grade levels reveal performance gaps between private and public schools and between males and females. (See Figures 6-9.) Given the significant improvements in the 2015 GLAT results and as public school test takers represent the far majority of test-takers, it is expected that the public – private school gap is closing, evidencing the successes of recent innovative initiatives by the Ministry of Education, particularly to strengthen pre-primary education to jumpstart educational achievement. The 2015 GLAT 3 results indicate a more than doubling of the percentage of A grades at the national level (i.e. including both public and private school test takers).

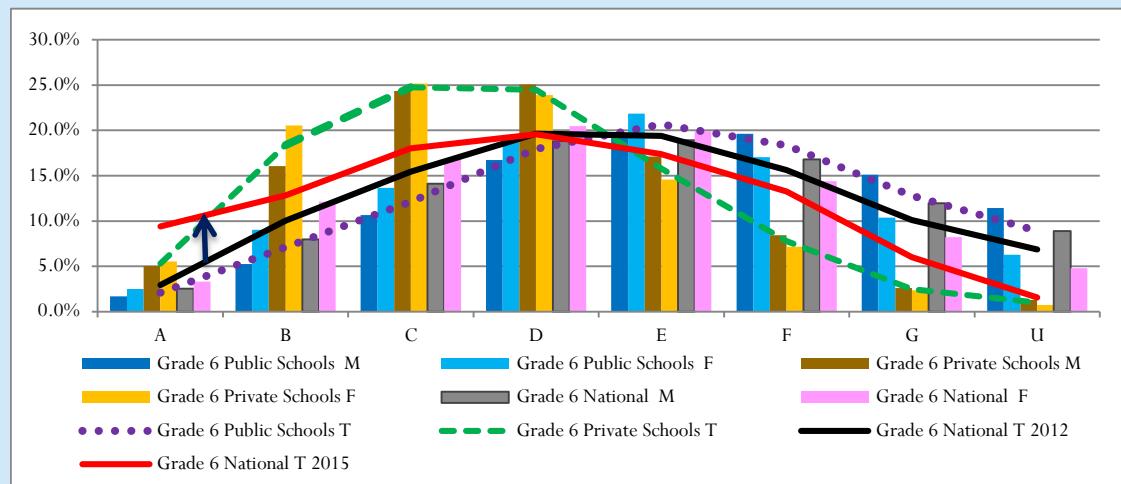
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**Figure 8: 2012 Grade 3 GLAT Results (Private and Public) and 2015 Grade 3 National GLAT Results**



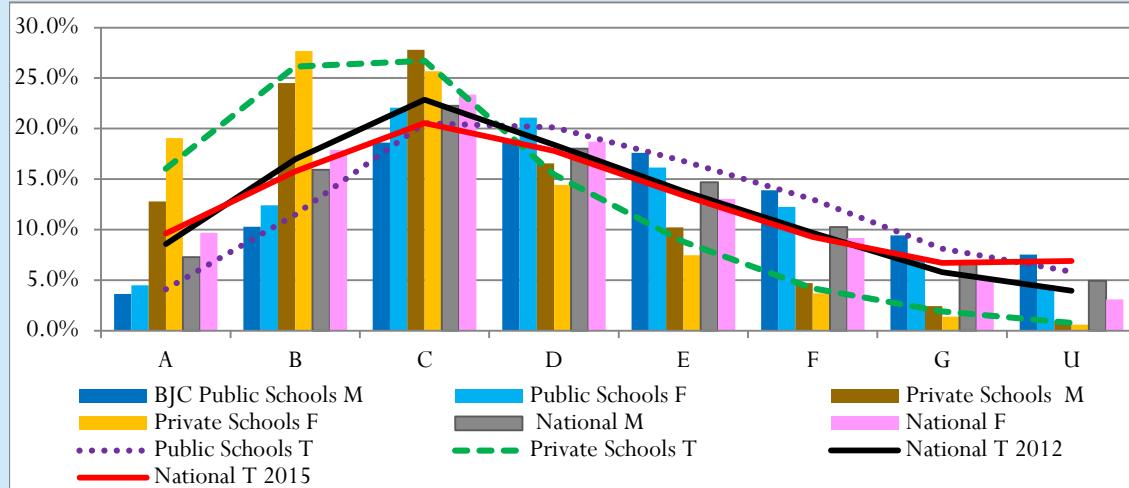
**Source 5: Ministry of Education, Educational Statistical Digest, 2012-12 (M-Male, F-Female, T-Total)**

**Figure 9: 2012 Grade 6 GLAT Results (Private and Public) and 2015 Grade 6 National GLAT Results**



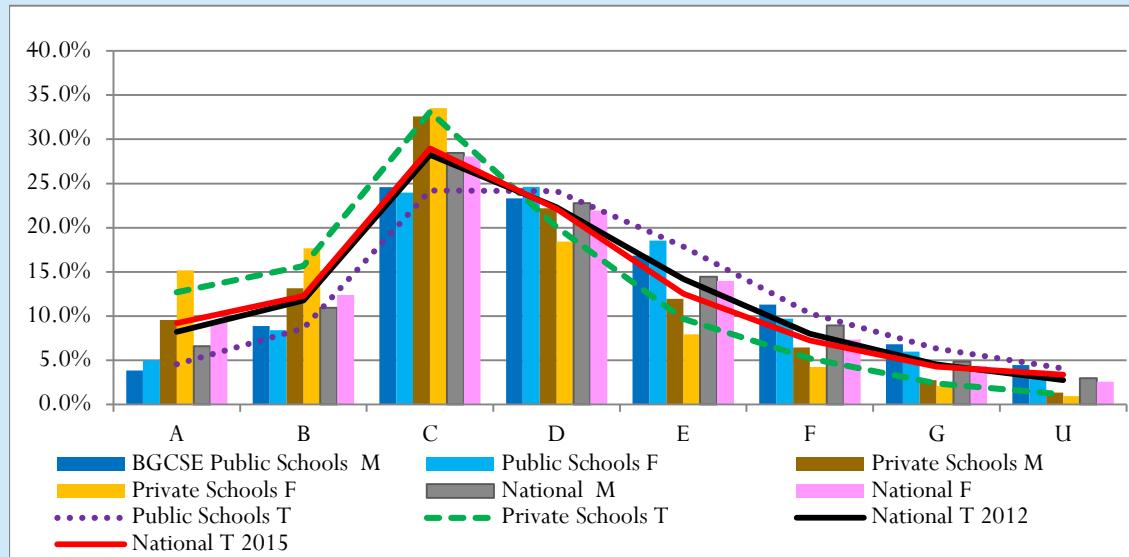
**Source 6: Ministry of Education, Educational Statistical Digest, 2012-13 (M-Male, F-Female, T-Total)**

The first evidence of a slump in performance is seen by grade 6 as achievement levels fall in both the private and public schools; however, the 2015 GLAT 6 results show a strong improvement over the 2012 results in the percentage of A, B, and C grades nationally and a decline in the percentage of E, F, G, and U grades.

**Box 2 Cont'd**
**Figure 10: 2012 Grade 9 BJC Results (Private and Public) and 2015 National BJC Results**


**Source 7: Ministry of Education, Educational Statistical Digest, 2012-13 (M-Male, F-Female, T-Total)**

There was some recovery in performance by grade 9, markedly so within the private school system with over 69% of students achieving Cs and above. Public schools also evidenced positive performance with 36% of students receiving a grade over C compared to 21% in grade 6. There was also some narrowing of the gender gap. In 2015, there was an increase in the number of students receiving A's than in 2012.

**Figure 11: 2012 Grade 12 BGCSE Results (Private and Public) and 2015 National BGCSE Results**


**Source 8: Ministry of Education, Educational Statistical Digest, 2012-13 (M-Male, F-Female, T-Total)**

A similar result was also seen in the grade 12 results. The gender gap, as well, was less evident for the core of students in grade 12. Of the 65% of the school population achieving grades of C through E, boys marginally outnumbered girls. The key differences between privately and publicly-supplied education was shown in the number of students receiving As and Bs in the private schools versus the public system (28% compared to 13%). Of these, females continued to outperform their male peers. The results for 2015 were relatively similar to 2012 although there were slightly more A's in 2015.

At the vocational institute, only one-quarter of the students graduate on time and many take up to five years to complete their programmes. Some 27% of the applicants are wait-listed every year because demand exceeds capacity. Additionally, many potential students are deterred from attempting to apply for entry because they have heard the programme they want is full.

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**Despite significant government investment, our education and skills outcomes need to be improved. However, some positive change is evident.**

A review of the World Bank development indicators suggests that government expenditure as a percentage of GDP on education is below regional and international competitors. Further, a review of government fiscal expenditure data suggests a downward trend. However, this must be contrasted with the lower level of government spending generally in The Bahamas relative to other countries which is in line with government tax policies. Notwithstanding the negative comparison, it is evident that successive governments have focused significant energy and resources on education as spending on education, relative to total government expenditure, is very high (see Figure 10). While there is scope for an easy win through further investment in education and skills training and development, the key will be to ensure that increased spending is effective and targeted to those areas identified as critical for growth.

**Figure 12: Average Government Expenditure on Education (% of GDP)**

Countries	Average government expenditure on education (% of GDP)		Average government expenditure on education (% of government expenditure)	
	1990-1999	2000-2009	1990-1999	2000-2009
Bahamas, The		2.80%		18.70%
Antigua and Barbuda	3.20%	3.00%	12.50%	7.90%
Barbados	5.40%	5.50%	12.50%	14.40%
Ireland	4.80%	4.80%	11.90%	13.40%
Jamaica	4.10%	5.20%	11.90%	14.80%
Mauritius	3.50%	3.70%		15.00%
Panama	4.40%	4.30%	29.50%	16.50%
Singapore		3.40%		20.00%
St. Kitts and Nevis	3.80%	4.20%	12.20%	12.10%
Trinidad and Tobago	3.20%	3.10%	9.40%	11.50%
United Kingdom	4.70%	5.20%	11.90%	13.40%
United States	4.90%	5.30%		15.50%
High income: non-OECD	4.00%	4.00%		13.10%
Latin America & Caribbean (all income groups)	4.00%	4.00%	15.20%	15.40%
World	4.00%	4.00%		14.00%

Source 9: World Bank Development Indicators, [www.worldbank.org](http://www.worldbank.org)

## Health and Wealth are Part of the Human Capital Equation

Diseases prevalent in The Bahamas are increasingly those seen in North America (Figure 11 and 12). In terms of health, the World Health Organization (WHO) reports that diabetes, cancer and heart disease account for 72% of the deaths in the country. Some of these diseases are simply a result of a longer life expectancy, but others are reflective of lifestyle changes. One immediate concern is that of children's health and an increasingly sedentary lifestyle, which results in high levels of obesity among the country's youth and the accompanying increasing levels of hypertension and diabetes presenting in young people. Obesity has also been cited as the main risk factor influencing the rise of non-communicable diseases. The 2014 WHO report indicates that as high as 43.2% females and 29.8% males were obese and that 56.5% of females and 38.5% of males do not get sufficient levels of exercise. Other lifestyle risk factors included smoking and alcohol consumption. Preliminary reports also point to high levels of consumption of fast foods and lack of weekly exercise.

**The country can be proud of the health system. Infant mortality is declining and life expectancy is up. Improvements, however, are needed in service delivery and access.**

As part of its policy approach to improving the health of the nation and limiting the economic and social burdens associated with chronic non-communicable diseases, the government has identified six key strategic initiatives. Included in these is a focus on reducing alcohol and tobacco usage, promoting healthy diets and active lifestyles, and improving reproductive and sexual health.

Additionally, efforts are underway to ensure universal access to health care. Key strategic incentives include the National Health Service Strategic Plan 2010-2020 and the introduction of the National Health Insurance and the National Prescription Plan.

There is however, a need to place a greater focus on mental health issues in the Bahamas. There is limited publicly available information on mental health and mental health care in The Bahamas. Commonwealth Health Online reports that the most commonly diagnosed mental illnesses were schizophrenia, followed by mood disorders. Presently, the Sandilands Rehabilitation Centre and the Rand Memorial hospital are the two main government facilities that offer mental health services for substance abuse as well as psychiatric disorders. In 2009 the discharge rate at these institutions was 414.3 discharges per 100,000 population, with the diagnoses given as schizophrenia and disorders due to psychoactive substance abuse.<sup>7</sup> The resources at these institutions are strained as they also offer a number of other medical services. The stigma attached to mental health issues may also prevent person from seeking care. In The Bahamas, as in other places in

<sup>7</sup> PAHO, "Health in the Americas 2012: Bahamas Chapter"

the Caribbean, mental health is often seen as a sign of weakness and something of which persons should be ashamed. The available information suggests that men are more likely to be impacted by mental health conditions and are three times more likely to be hospitalized for mental health conditions than were females. Local experts point to the link between mental health problems, drug abuse, violence and gang activity, particularly in young people. It was highlighted that there is a need for residential facilities for teenagers, particularly in inner city communities, which provide: psychological counselling combined with spiritual support, remedial and vocational education and reintegration to their families and communities.

**Table 3: Expenditure on Health in Selected Countries - 2012**

<b>Location</b>	<b>Health Expenditure Per Capita (PPP)</b>	<b>Rank</b>
United States of America	\$ 8,845.00	1
Canada	\$ 4,610.00	10
United Kingdom	\$ 3,235.00	22
Singapore	\$ 3,215.00	23
<b>Bahamas</b>	<b>\$ 1,703.00</b>	<b>40</b>
Trinidad and Tobago	\$ 1,633.00	43
Barbados	\$ 1,407.00	52
Antigua and Barbuda	\$ 1,125.00	66
Grenada	\$ 693.00	92

**Source 10: Henry J. Kaiser Foundation, <http://kff.org/global-indicator/health-expenditure-per-capita/>**

The Bahamas is ranked 40th in terms of its expenditure on health related items below that of other high income countries. As expected, given the financial outlay, the outcomes are below desirable levels. Instances of heart disease, the number one cause of death in 2012, continued to exact a toll on the Bahamian community as has prostate cancer and kidney disease. Some success has been seen with respect to diabetes and communicable diseases, the mortality rate of which fell during the period 2009-15. Additionally, the ranking of HIV/AIDS, lower respiratory infections and breast cancer fell. Notwithstanding the fall in the ranking of HIV/AIDS as a main cause of death, the prevalence of HIV/AIDS at 3.3% (2015) of the population was the highest in the region. The fall in HIV/AIDS related deaths can be attributed to improved access to quality health care and the availability of antiretroviral drugs.

**Figure 13: Basic Indicators 2009-2014**

Indicator	2009 <sup>8</sup>	2010 <sup>9</sup>	2011 <sup>10</sup>	2012 <sup>11</sup>	2013 <sup>12</sup>	2014 <sup>13</sup>
<b>Mortality rate from communicable diseases*</b>	93.6	73.8	75.1	65.8	62.0	63.4
<b>Mortality rate from malignant neoplasms*</b>	120.3	103.8	111.3	123.9	110.2	115.7
<b>Mortality rate from external causes*</b>	65.9	53.3	60.2	59.8	62.6	69.9
<b>Mortality rate from diabetes mellitus*</b>	38.5	34.0	32.3	29.8	27.5	26.2
<b>Mortality rate from ischemic heart diseases*</b>	43.3	38.2	51.5	60.9	50.2	56.2
<b>Mortality rate from cerebrovascular diseases*</b>	49.0	42.7	42.1	54.1	42.2	40.6
<b>Tuberculosis incidence rate per 100,000</b>	13.8	14.2	13.3	9.0	11.2	8.6
<b>Malaria, reported cases</b>	14	14	No data	1	6	6
<b>AIDS incidence rate per 100,000 pop.</b>	92.3	94.8	95.8	76.4	76.4	45.2
<b>Proportion of low birthweight (&lt;2,500 gm)</b>	10.5	11.6	12.9	12.1	11.6	12.5

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\* adjusted per 100,000 pop.

Source 11: Pan American Health Organization (PAHO) Primer for Health for the National Development Plan

<sup>8</sup>Pan American Health Organization. 2010. Health Situation in the Americas Basic Indicators 2009. Accessed from [http://www2.paho.org/hq/dmdocuments/2009/BI\\_ENG\\_2009.pdf](http://www2.paho.org/hq/dmdocuments/2009/BI_ENG_2009.pdf) on 20 April 2015.

<sup>9</sup> Pan American Health Organization. 2011. Health Situation in the Americas Basic Indicators 2010. Accessed from [http://ais.paho.org/chi/brochures/2010/BI\\_2010\\_ENG.pdf?ua=1](http://ais.paho.org/chi/brochures/2010/BI_2010_ENG.pdf?ua=1) on 20 April 2015

<sup>10</sup> Pan American Health Organization. 2012. Health Situation in the Americas Basic Indicators 2011. Accessed from [http://ais.paho.org/chi/brochures/2011/BI\\_2011\\_ENG.pdf](http://ais.paho.org/chi/brochures/2011/BI_2011_ENG.pdf) on 20 April 2015

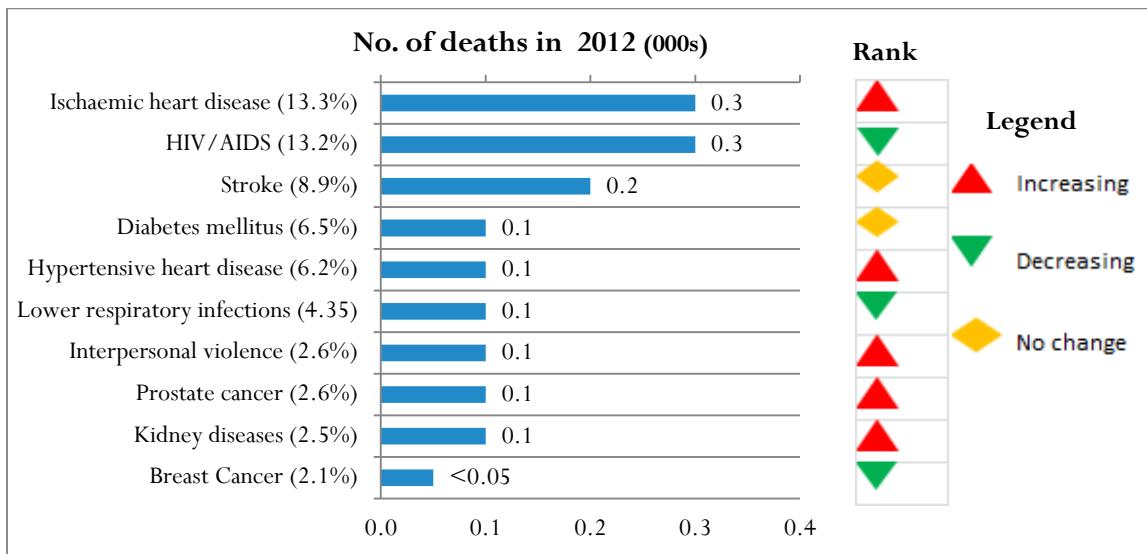
<sup>11</sup> Pan American Health Organization. 2013. Health Situation in the Americas Basic Indicators 2012. Washington, D.C.

<sup>12</sup> Pan American Health Organization. 2014. Health Situation in the Americas Basic Indicators 2013. Washington, D.C.

<sup>13</sup> Pan American Health Organization. 2015. Health Situation in the Americas Basic Indicators 2014. Accessed from

[http://www.paho.org/hq/index.php?option=com\\_docman&task=doc\\_view&gid=27299&Itemid=721](http://www.paho.org/hq/index.php?option=com_docman&task=doc_view&gid=27299&Itemid=721) on 20 April 2015.

**Figure 14: Ranking of the Leading Causes of Death in The Bahamas**



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**Source 12: Bahamas Profile - World Health Organisation**

### Unemployment is an Issue

The Bahamian unemployment rate was 14% in 2012 and 15.7% in 2014, improving to 12% in May 2015 (Figure 13). In 2015 there were just under 4,000 discouraged workers who had left the job market; about 2,800 of those had worked before. A high percentage of the unemployed have not completed high school which makes them particularly vulnerable. Youth unemployment is very high at around 30%. While having a young, diverse workforce is valuable, high levels of unemployment among the youth can lead to a reduction in social cohesion, limited future employability and loss of skills. Further, as young people remain out of work, the long term earning potential and productivity of this segment of the population diminishes as they lose opportunities to develop additional cognitive and soft skills, gain experience and showcase their creativity. Finally, youth unemployment may be associated with lower levels of well-being in the society, increased mental and behavioural problems, higher incidents of drug and alcohol usage and other high risk activities.

Beyond the tag line of youth unemployment is a greater story of lost productivity and deterioration in the health of the Bahamian economy due to lower output, reduced consumption, reduced investment and increased social spending. The low growth rates seen in The Bahamas suggest that it is unlikely that the current industries could grow sufficiently fast to absorb those currently unemployed and the new members entering the workforce yearly. New industries and innovative solutions to increase opportunities will have to be developed. The Bahamas will be facing an increasingly aging population in 2040. With such a high level of its productive workforce out of employment, the country is ill prepared to achieve the level of development to support the changing demographic.

**Figure 15: Employment in The Bahamas: by Region as at May 2015**

Sex and Island	2015 Total Labour Force	2015 Labour Force Participation Rate	2015 Unemployment Rate
<b>All Bahamas</b>			
<b>Total</b>	<b>208,895</b>	<b>73.0%</b>	<b>12.0%</b>
<b>WOMEN</b>	103,290	71.5%	12.9%
<b>MEN</b>	105,605	78.5%	11.0%
<b>New Providence</b>			
<b>Total</b>	<b>148,545</b>	<b>74.5%</b>	<b>12.0%</b>
<b>WOMEN</b>	74,480	71.0%	13.1%
<b>MEN</b>	74,065	79.9%	10.9%
<b>Grand Bahama</b>			
<b>Total</b>	<b>28,000</b>	<b>70.1%</b>	<b>12.9%</b>
<b>WOMEN</b>	14,060	66.5%	14.3%
<b>MEN</b>	13,940	72.6%	11.4%
<b>Abaco</b>			
<b>Total</b>	<b>10,360</b>	<b>75.5%</b>	<b>12.2%</b>
<b>WOMEN</b>	4,405	63.8%	11.9%
<b>MEN</b>	5,955	77.5%	12.4%

**Source 13: Department of Statistics**

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Preliminary data on the Bahamian labour force for 2013 are consistent with the 2011 data which show that lower levels of educational attainment are correlated with higher levels of unemployment. The lack of a formal education or technical skill was particularly detrimental for males in seeking work.

### **Skills Gap, Immigration and Poverty**

According to various studies, many businesses indicate a shortage of the required skills within the local workforce. It is also reported that behaviour problems are the leading cause of terminations. A significant portion of Bahamian youth are not only unemployed, but in many respects, because of substantial skills deficits, they are unemployable without intervention. However, with training, some of which is underway, for example through the National Training Institute, this trend can be corrected. There is also a deficit of statistical information with which to diagnose the depth or impact of youth unemployment and to facilitate the designing of training and other programmes to address the underlying shortfalls.

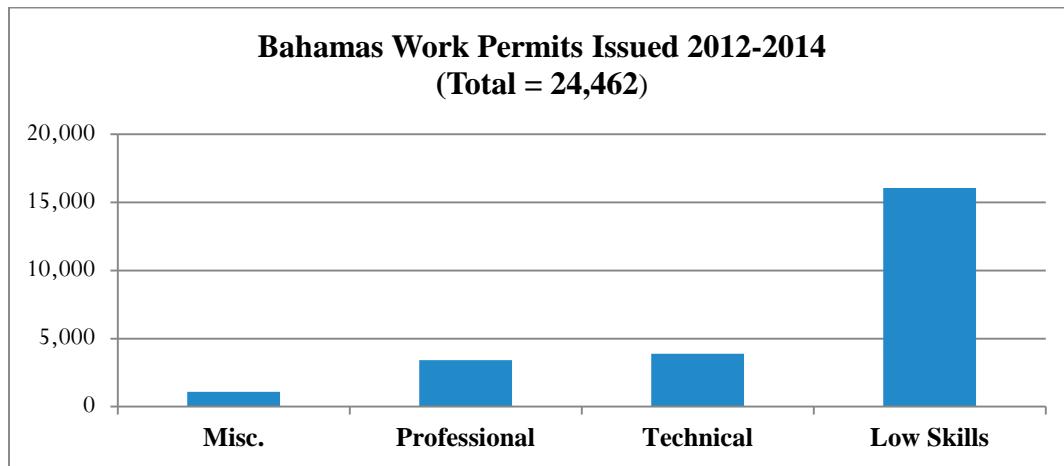
### **Increasing our skills will propel economic growth.**

While unemployment in The Bahamas, as in other Caribbean islands, is an ongoing issue. Low or negative economic growth, since the 2008 crisis, has resulted in a further narrowing of the labour market, many employers complain that there is a greater concern with a deficit in skills and experience in the labour force. A 2014 study by the World Bank on Youth Unemployment in the Caribbean<sup>14</sup> noted that 34.5% of employers in The

<sup>14</sup> The study may be found at [http://www.dbzchild.org/uploads/docs/youth\\_unemployment\\_in\\_the\\_caribbean\\_2014.pdf](http://www.dbzchild.org/uploads/docs/youth_unemployment_in_the_caribbean_2014.pdf)

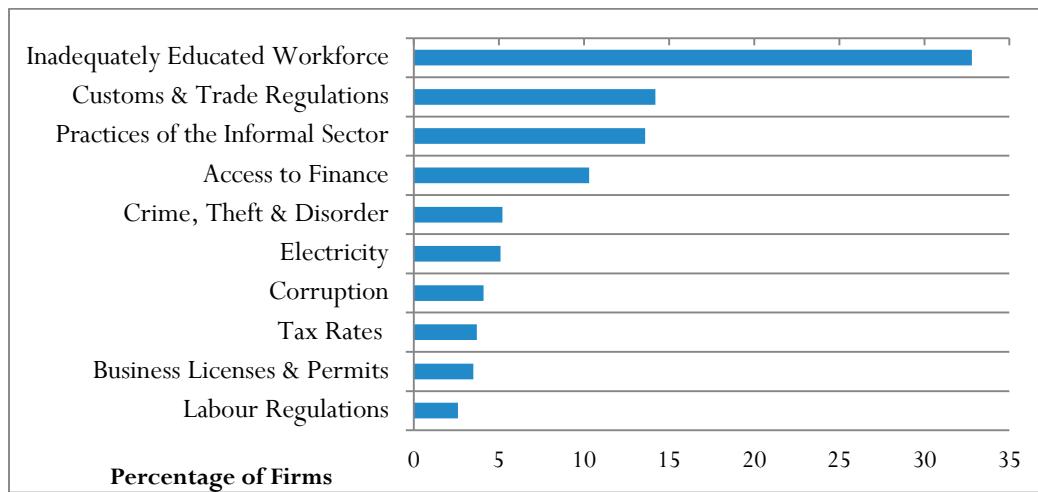
Bahamas cite the need for experience as a critical determinant of employment. Additionally, the inadequacy of the education of the workforce was seen as the single largest obstacle to doing business in The Bahamas (Figure 15). The mismatch is seen in all sectors and sizes of business. As a result, 24,462 work permits were issued between 2012 and 2014. A review of the recent immigration statistics suggests that this is not restricted to high level positions but is prevalent across all job categories. As Figure 14 highlights, many of the work permits were issued for low skill/elementary occupations. Less than 30% were issued for professional or technical labour positions.

**Figure 16: Bahamas Work Permits Issued by Category**



**Source 14: Department of Immigration Internal Statistics**

**Figure 17: Main Business Obstacles Affecting Firms**



**Source 15: Enterprise Surveys - The Bahamas 2010, [www.enterprisessurveys.org](http://www.enterprisessurveys.org)**

All categories of firms indicate a shortage of trained or adequately educated workforce as the single largest obstacle to doing business in The Bahamas. Concerns about the workforce and customs and trade

regulations were consistently highlighted. The skills mismatch becomes more acute as the firm grows in size. However, while there is a demand for technical skills, a review of the immigration statistics revealed a skew towards entry level skilled labour. There is a gap between the needs of businesses and the skill level of the workforce. This supports recommendations to strengthen training programmes used to prepare students for academic success and school leavers for the workforce.

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The Bahamas has a long history of civil society, churches and governments each playing a role to care for the poor and needy. In the 1960s, government appointed a Minister of Welfare and created the Department of Social Services which has evolved to provide a number of services ranging from rehabilitative care for the aged, youth and offenders, etc. as well as disability assistance, health service and school welfare services including a lunch and school supplies programme to increase access to education for all. Weaknesses in these programmes are related to: inefficient identification of needs and persons at risk, weak monitoring and oversight and a fragmented approach to the resolution of the problem have been identified and are being addressed.

## We must address poverty.

Poverty in The Bahamas is growing. The poverty rate grew from 9.3% to 12.8% between 2001 and 2013. 45% of those persons categorised as poor were gainfully employed but unable to earn enough to take care of their families. Of the “working poor”, 72% were employed in the private sector, providing some support for the introduction of minimum wage legislation. The Family Islands have a disproportionate share of the poor with Abaco and Andros and Eleuthera recording the higher rates of 20.3% and 17.3% (2013) respectively. Approximately 18% of children under 4 years and 20% of children 5-14 years are living in poverty. This represents a significant portion of the future population at risk of falling between the cracks and lost economic potential for the country. The lack of education and skills has been highlighted as a leading cause of poverty.

Efforts are underway to address the sanitation and housing challenges associated with informal settlements (Shanty Towns) in New Providence and the Family Islands. Additionally, the IDB’s Sustainable Nassau project is seeking to address the issue of affordable housing, community development and sanitation on New Providence, the most densely populated island. Together, these programmes are seeking to address poverty and improve the quality of life in depressed communities.

**The problems associated with poverty go beyond the provision of social assistance.**

Poverty is insidious and can pose a challenge on national resources which must be diverted to provide the needed support. More importantly however, poverty but can rob the society of productive members who could contribute to its development – particularly if cycles continue through many generations. Poverty can also contribute to adverse socio economic impacts such as increased criminal activity, higher pollution levels and the lowering of health outcomes. Much of the increased instances of criminality in The Bahamas can be attributed to the rising levels of poverty as the society becomes more unequal. A College of The Bahamas study<sup>15</sup> of inmates cites poverty as the second leading root cause of crime, exceeded only by the breakdown of the family. As the poor are excluded, disenfranchised and marginalised from society, societal bonds (that facilitated the working together for the betterment of society) are broken and higher levels of discord can be expected. Poverty also begets poverty, as it can lead to low birth weights and malnutrition, limited access to education and health care as well as limited job skills and opportunity which can collude to reduce the possibility of rising out of poverty.

Another concern that has the potential to challenge social cohesion in The Bahamas is the issue of migration, particularly the high instances of illegal migration and the status of children born to migrants in The Bahamas.

In reviewing the question: **What would it take to make every Bahamian a productive person?** It is evident that the answer will be found by addressing all of the issues – education, crime, poverty, social inclusion and the social safety net.

Stakeholders must use the country's current strengths and work together for social cohesion. They must tackle these interlocking problems together, with coordinated initiatives that cut across departments and sectors. Unless The Bahamas develops its human capital and strongly supports its health, education, employment and social protection sectors, including greater access for persons with disabilities, the problems will fester and grow exponentially more difficult to solve.

There is no magic formula for doing so, no tried-and-true method. Much work is already underway and the work of the National Development Plan will assist Bahamians in finding these answers.

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<sup>15</sup> Minnis J et all (2011), *A Profile Study of Inmates at Fox Hill, Bahamas*. Unpublished Manuscript, The College of The Bahamas.

# Governance

The Bahamas has grown tremendously since independence and can be justly proud of its record as a stable, functional parliamentary democracy.

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In looking forward to 2040, the question must be asked: **“What can The Bahamas do to build on its institutions so that it can best serve the interests of all?”**

The Governance section reviews the current governance of The Commonwealth of The Bahamas according to five principles of good governance adapted from standards developed by the United Nations Development Programme (UNDP) and the World Bank:

- 1) Legitimacy and Voice;
- 2) Strategic Vision;
- 3) Effectiveness and Efficiency;
- 4) Accountability and Transparency; and
- 5) Equity and Rule of Law.

By these indicators, The Bahamas’ greatest governance strength is in its democratic institutions and traditions, while its comparative weaknesses tend to be in operational areas of public administration such as results-based management (see Figure 19).

**Figure 18: The Bahamas’ Freedom House Rankings against Possible Scores**

<b>Freedom House Bahamas Political and Civil Liberties Ranking</b>		
	Bahamas Score	Available Points
Electoral Process	12	12
Political Pluralism and Participation	16	16
Functioning of Government	10	12
<b>Political Rights Subtotal</b>	<b>38</b>	<b>40</b>
Freedom of Expression and Belief	16	16
Organisational Rights	12	12
Rule of Law	15	16
Personal Autonomy and Individual Rights	15	16
<b>Civil Liberties Subtotal</b>	<b>58</b>	<b>60</b>
<b>Freedom Score</b>	<b>96</b>	<b>100</b>

Source 16: Freedom House, Freedom in the World, [www.freedomhouse.org](http://www.freedomhouse.org)

The Bahamas scores high on the Freedom House index, achieving a score of 96 out of a possible 100 points. Areas identified for improvement included the Rule of Law, Personal Autonomy and Individual Rights, and the Functioning of Government.

## Legitimacy and Voice

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By international standards, The Bahamas measures favourably in terms of its governance structures. The country has benefitted from a stable Westminster democracy since its independence in 1973. Bahamian government is enshrined in a formal constitutional law, *The Constitution of the Commonwealth of The Bahamas*, which sets out the structure of government, the rights of individuals and citizens and which has been respected by all branches of government since independence. Political parties organize and operate freely under a multi-party system, and elections and changes in government have proceeded peacefully.

Other indications of democratic robustness include a high voter turnout, typically in the range of 90% of eligible voters. International organizations such as Freedom House and Transparency International have given the country generally high ratings for political and civil liberties, both with regard to individual freedoms and those of the media and civil society. However, some areas of concern have been identified, such as migrants' rights and the potential for more comprehensive and effective engagement of civil society organizations in the development of public policy. Rising crime rates and allegations of corruption and public sector graft, discussed below under the rubric of rule of law, have the potential to threaten the legitimacy of government if the government's on-going efforts to bring them under control do not succeed.

**The Bahamas has most of the institutions and traditions of a stable successful democracy; but public sector reforms are needed for governments to continue to earn the trust of citizens.**

Nevertheless, Bahamian democracy is not perfect and there are a number of ways in which it falls somewhat short of best practices. Currently, elections are managed by the Parliamentary Registration Department, headed by a Parliamentary Commissioner. Constituency boundaries are set by a commission that meets at regular intervals (not less than five years) to review the boundaries and report to Parliament. However, the current legal framework does not grant the electoral management body supervision of campaign finance, nor does it delegate this function to other public entities. In fact, political campaigns are fully funded from private sources. Campaign financing is currently unregulated and political parties are not required to report on the flows or administration of their campaign funds.<sup>16</sup>

<sup>16</sup> Department for Electoral Cooperation and Observation, 2012. Freedom House, 2014.

## Setting a Strategic Direction

In terms of articulating a strategic vision – which is important both for policy coherence and to provide a benchmark for the government’s accountability – successive Bahamian governments have received criticism from domestic corners. Political parties do develop electoral platforms and broad statements of intent are set out in core parliamentary documents such as budgets and Speeches from the Throne. Additionally, major policy initiatives such as comprehensive amendments in 2010 to the *Financial Administration and Audit Act* (FAAA) and more recently the introduction of a value added tax, constitute significant examples of vision or policy statements. The revised FAAA includes provisions for medium-term fiscal planning, including risk assessment.

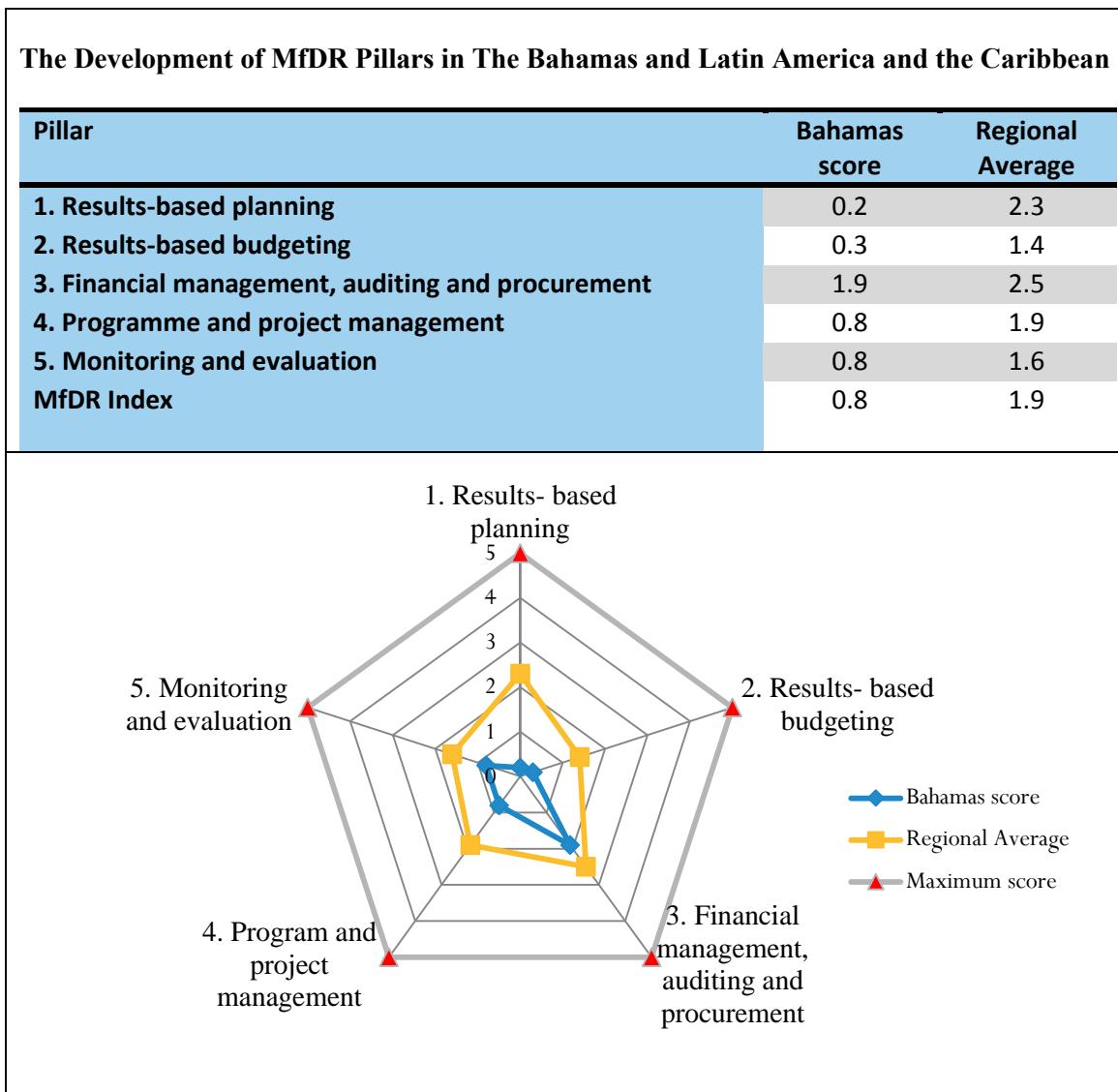
The National Development Plan constitutes an ambitious departure in the direction of comprehensive medium- and longer-term planning. However, the practice and technical resources for long-term strategic planning remain underdeveloped and most individual departments do not develop strategic or sector plans.

The ability to create a workable National Development Plan, and see it through to completion, is essential to creating a better future. To do that, there has to be coordination and guidance. A plan to improve education, for example, would be less effective if it did not take account of social issues, or crime rates, or the realities of the country’s transportation system.

The development of a capital planning process for infrastructure would enable decision-makers to prioritize and, where necessary, integrate investments across ministries and sectors. Too often projects are not selected according to an overall multi-year plan of investment and asset maintenance; instead, they are selected on the basis of the urgent need of the day. A new planning process would include capacity and risk assessments and provisions for monitoring and overall project management. Figure 19 shows the planning and budgeting scores for The Bahamas.



**Figure 19: Excerpt from IDB Study Showing the Low Scores for Planning and Budgeting**



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**Source 17: Inter-American Development Bank (IDB), “Building Effective Governments”**

The scores for The Bahamas were below the regional average (which itself was below par) in each category examined by the IDB for planning and budgeting. Of the five categories, only financial management, auditing and procurement showed a hint of promise as every other category was in the lower 20%. The Spider diagram highlights this weakness. The outer horizon of the diagram represents the best possible outcome where a country achieves a 5 in each category examined. The second line on the web illustrates the regional performance which, for the most part, was less than half of the desired outcome. The dark prism sitting in the center of the diagram is The Bahamas. The difference between this and the outer perimeter illustrates the scope for improvement.

A critical constraint for public sector planning is the limited institutional capacity of the centre of government and, for this reason; strengthening capacity at the centre is a major governance element of the NDP. Until recently there was no dedicated planning unit

within the Office of the Prime Minister (OPM), although an Economic Development and Planning Unit (EDPU) has been established to help guide the NDP. Cabinet does not currently have the support of a dedicated unit with responsibility for systematically reviewing and preparing briefings on incoming documents, to ensure quality control and fit with the government's agenda and budget framework, although this is a possible role for an expanded EDPU.

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Augmenting institutional capacity within government agencies will help with other issues. These issues include justice, where reports of low conviction rates and inadequate institutional capacity to administer justice on a timely basis have begun to surface, and the environment, where enforcement issues with the *Planning and Subdivision Act, 2010* essentially render the act inactive. This constitutes a serious risk to the orderly regulation of national planning and development activities, as well as for overarching principles such as the rule of law.

### **Effectiveness and Efficiency**

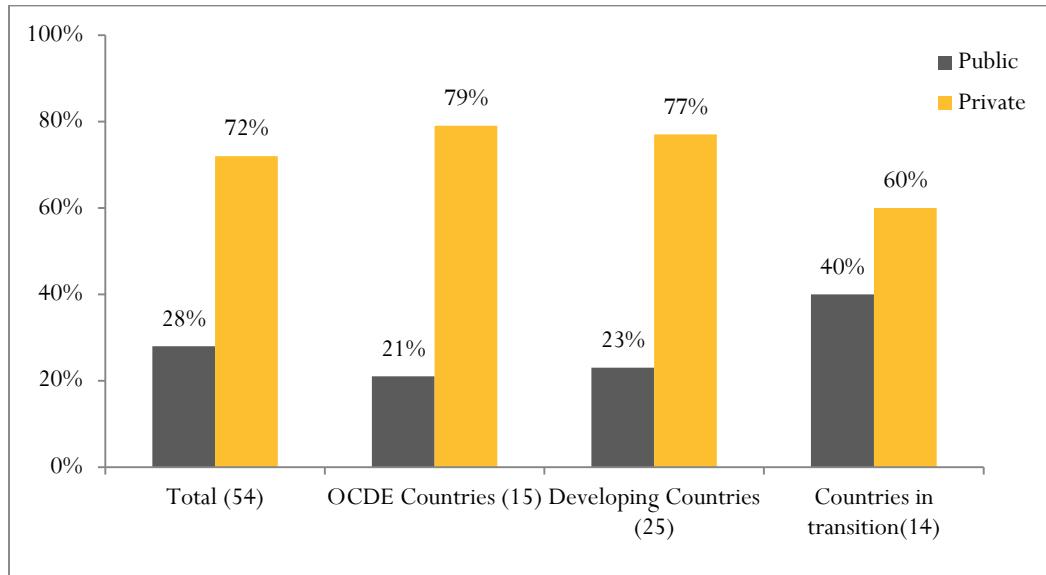
The way in which the government implements projects and delivers programmes and services to Bahamians is recognized as a central governance challenge – one that the government is also seeking to address through NDP-related initiatives. Budgetary management has improved in recent years, partly owing to the reformed FAAA, and fiscal forecasting has been more reliable, though risk assessment and mitigation processes need improvement. Basic reporting on income and expenditure is full and timely; internal audits are required for ministries and agencies; and external audits by the Auditor General are comparatively robust, despite resource limitations. The government is moving towards programme-based budgeting and an on-line procurement system (although this is taking longer than anticipated to implement).

**A cohesive and accountable partnership between policy leadership and the public service is needed to ensure plans and priorities are implemented in a timely manner.**

Project management is a major area targeted for improvement under the NDP, including the planned adoption of a digital technology application designed to provide instantaneous, evergreen information on the status of NDP-related projects. In the meantime, however, implementation challenges begin with the fact that proposals may be developed and brought to Cabinet without robust implementation planning, including capacity and risk assessments and provisions for monitoring and performance evaluation. The absence of up-front discipline has cascading effects through the system including inadequate monitoring, governance and accountability. Individual ministries generally do not have well developed monitoring systems, the most systematic being found in Education and Health. The planned adoption of programme-based budgeting will provide a basis for improved programme evaluation.

Public service capacity is also a major challenge for effective programme and project management; for example, a very small percentage of the service is categorised as senior managerial, while over a quarter are clerical, temporary, or miscellaneous staff. The recruitment and training of individuals with the required technical and leadership skills is a significant challenge, but problems are aggravated by existing performance management practices which appear to be insufficiently results-focused and insufficiently linked to consequences for the employee. Pay-at-risk for performance is not currently a feature of the compensation structure.

**Figure 20: Comparison of the Size of the Public Sector Relative to the Private Sector in Differing Types of Economies**



*In brackets the number of countries considered.*

*Source: Survey on public sector employment statistics, Bureau of Statistics, ILO, October 1998.*

**Source 18: Extracted from “Statistics on Public Sector Employment: Methodology, Structure and Trends,” M. Hammouya, 1999, ILO Working Paper,  
[http://www.ilo.org/public/english/bureau/stat/download/wp\\_pse\\_e.pdf](http://www.ilo.org/public/english/bureau/stat/download/wp_pse_e.pdf)**

The main drivers in any capitalist economy should be the private sector. In developed countries the size of the public sector is about one fifth of the work force. This ratio almost doubles in transition economies that were previously fully government controlled or planned economies. This study is somewhat dated however. The 2013 review by the OECD of the size of government confirmed that employment in the public sector in the UK was static round 21%. The Bahamian public sector, at 19.9% of the work force (see Figure 19 for further details on employment by sex), is right sized and is in line with what would be expected from a high income non-OECD country. The challenge in The

Bahamas is not the size of the government but perhaps the composition of the workforce and the need to place a greater priority on acquiring highly skilled staff with competencies in key areas such as planning, project execution, strategic management and other technical skills specific to respective Ministries.

**Figure 21: Size of the Bahamian Public Sector Relative to Other Employment Categories**

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Employment Status	Total		Women		Men	
	N	%	N	%	N	%
<b>Employee (Gov. or Gov. Corp)</b>	36,510	19.9	22,430	24.9	14,080	15.0
<b>Employee (Private Business)</b>	118,770	64.8	57,440	63.9	61,330	65.2
<b>Self Employed</b>	27,525	15.0	9,185	10.2	18,340	19.5
<b>Unpaid Family Worker</b>	370	0.2	370	0.4	0	0.0
<b>Not Stated</b>	740	0.4	490	0.5	250	0.3
<b>Total</b>	183,319	100.0	89,915	100.0	94,000	100.0

**Source 19: Department of Statistics**

## Effective Local Government

Decentralising decision making to Family Islands began 20 years ago with the creation of the *Local Government Act*. Many on the Family Islands argue that a review of powers and authorities might be timely. Access to additional funding and greater independence is sought which coincides with a desire among many Bahamians to see more development on the Islands. There is also growing support for the institution of local or city government in Nassau to more effectively manage the growing needs of an emerging city. However, the capacity for local government to be self-funded varies with respect to each island. The size of the population and level of economic activity in some of the islands adversely impacts the level of tax revenue available to support public expenditure by the local government and as a result extensive subsidies would be required.

## Accountability and Transparency

Standards may be said to be strong at the broad level of democratic accountability but weaker in terms of operational accountability. Programme monitoring and performance management practices do not support stringent accountability within the public service. Too often the public service is driven by traditional practises at a time when Bahamians are increasing their demand for services that are outcome focussed. Additionally, the limited use of strategic and operating plans and performance metrics and the historic absence of integrated and programme-based budgeting can be seen not only as operational challenges but as gaps in reporting to Parliament and ultimately the public. Although the office of the Auditor General and the Public Service Commission add to the

capacity of Parliament to hold the government to account, there is a need for the establishment of an Ombudsman office to represent the interests of the public by investigating and addressing complaints of maladministration of public authorities and the strengthening of the Public Accounts Committee to ensure it performs more effectively. Additionally, the enactment of freedom of information legislation will encourage more transparency and government accountability because such legislation grants the public a general right to access records held by public authorities. Although the Freedom of Information Bill 2015 was released to the public in 2015, its enactment into law remains pending. Notwithstanding the above, the Government's Annual Budget, as currently published, is very detailed. More analysis of the budgetary results would be useful, as well as timelier production of the audited reports.

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The Bahamas has been a signatory to the 1996 *Inter-American Convention Against Corruption* since 1998. This Convention sets out public sector conduct norms for the proper fulfilment of public functions by public authorities. The Convention also sets out mechanisms to prevent, criminalise and investigate acts of corruption within the public sector. The Bahamas has been judged by the Organization of American States to have substantially implemented the required measures. However, the critical issue is the extent to which actual daily practices of those within the public sector meet or fall short of formal conduct norms. In this regard, concerns have been raised by both domestic and international organizations about the conduct of public officials.

### **Equity and the Rule of Law**

The principles of equity and the rule of law may be said to be generally robust in The Bahamas, subject to concerns about rising crime rates and certain practical aspects of gender, child and migrant rights. The judiciary is independent and upholds a broad swath of constitutional rights, but the Constitution does not: (a) include provisions against gender discrimination on the grounds of sex; (b) afford Bahamian women married to non-Bahamian men the same opportunity as Bahamian men married to non-Bahamian women to secure their spouse's access to Bahamian citizenship; and (c) allow Bahamian women married to non-Bahamian men the same automatic right to give Bahamian citizenship to a child born outside The Bahamas, a right which the Constitution automatically gives to Bahamian men married to non-Bahamian women.

Four Constitutional (Amendment) Bills intended to address these inequalities against women and discrimination against unwed fathers as discussed in the Human Capital section were passed in Parliament and the Senate in March 2016. It is expected that a date to hold a Constitutional Referendum will be announced shortly in order for the amendments to be considered by citizens.

**High rates of crime affect families, the economy and society as a whole, a vexing problem that requires concentrated effort from all sectors.**

In addition, there are reports of significant incidents of violence against women and abuse of children as detailed in the August 2015 report by the National Task Force for Gender-Based Violence entitled '*Strategic Plan to Address Gender-Based Violence.*' Migrant rights, and particularly alleged discrimination against persons of Haitian descent, are a further volatile issue. Similarly, discrimination against persons with disabilities and the limited environment which allows them to participate fully in society remains a concern. The Department of Statistics 2010 Census of Population and Housing determined that there were 10,138 people with disabilities in the country and that men accounted for 51.8% of that population. The Census report also found that only 17% of persons with disabilities 15 years of age and over were employed and that 72% of persons with disabilities had no form of health insurance. The population of persons with disabilities is rapidly growing due to the prevalence of non-communicable diseases, as discussed in the health section of the Human Capital chapter, which are a major cause of preventable disabilities. There is, therefore, a continuing need to ensure that people with disabilities have a voice, are afforded access to health care and employment and that laws are enforced. In 2014, the government enacted the Persons with Disabilities (Equal Opportunities) Act, 2014 and in September 2015 ratified the United Nations Convention on the Rights of Persons with Disabilities with the aim of ensuring that people with disabilities are treated equally under the law and can participate fully in society.

Finally, significant increases in violent crime rates in recent years (see Box 3) have been only partly addressed through reforms to criminal law and the administration of justice. The ability of any government to keep its citizens safe is a cornerstone to democracy. There were 122 murders in 2014. New Providence, the most populous island, was the epicenter for violent crimes. The U.S. State Department gave The Bahamas a crime rating of "critical." While not a warning, Canada reminded its travelers to "exercise a high degree of caution due to high rates of crime, especially in Nassau". One reason attributed to the high crime rates is the delay in administering justice, an issue that is being addressed through institutional reform.

While the government has responded with a number of initiatives including Swift Justice and Urban Renewal, criticisms of successive governments will continue until this aspect of the rule of law is addressed. Anecdotally, it has been said that a lack of accountability for bending the rules or a lack of enforcing laws is bigger than just government – it is now a societal and cultural norm.

### A review from the Office of the Attorney General indicates that the Swift Justice programme is reaping benefits.

The number of resolved criminal matters almost doubled between 2012 and 2015. In 2015, of the 528 matters scheduled for trial, 228 were resolved of which 109 were found guilty and 65 not guilty. Additionally, there were 11 mistrials and the Crown decided not to go forward with the prosecution of 47 matters. A further 173 matters did not proceed because of an on-going or substantive trial. Improvements in the number and success of

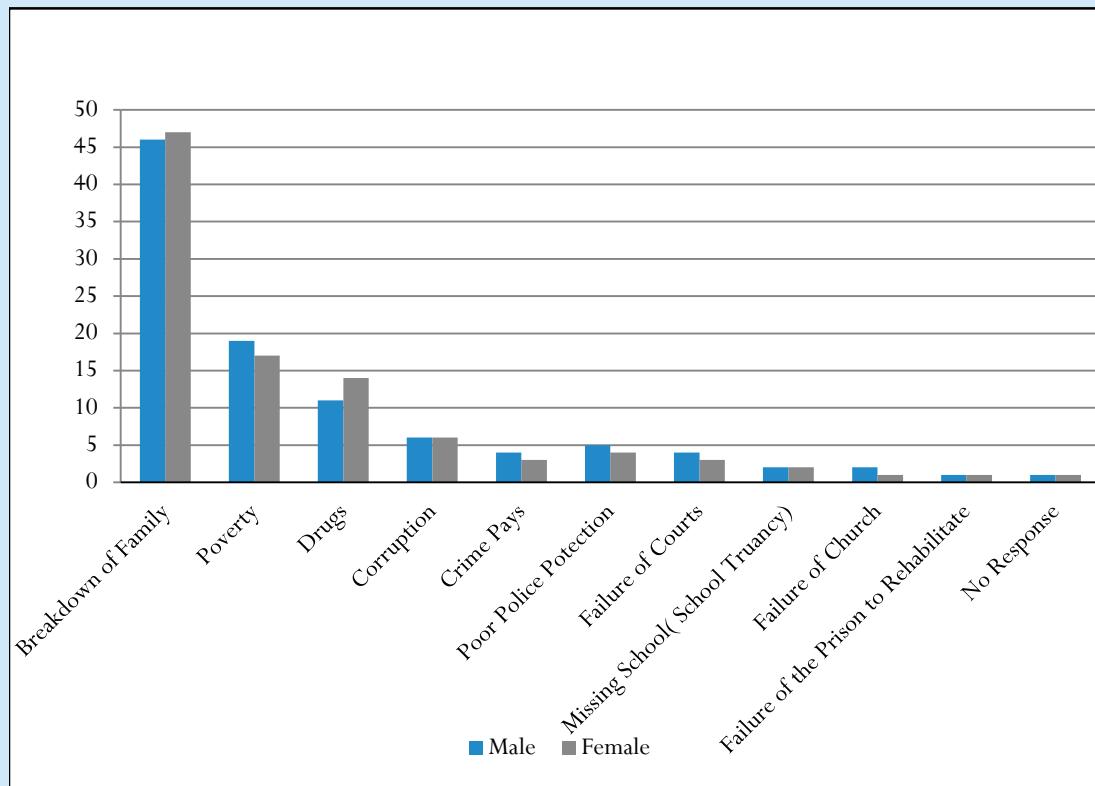
prosecutions were strongest in relation to crimes of a sexual nature (35.5 %.). Additionally, 32.7% of offenses of rape and unlawful sexual assault were taken to trial with success rates of 93.7% and 60% respectively. The prosecution rates for offences of murder, armed robbery and attempted/burglary/serious bodily harm/receiving were 28.3%, 20.3 and 23.6% respectively. Of note however, is that of the matters taken to trial in 2015, the Office of the Attorney General reports that 63% received a guilty verdict; this is up from 54% in 2014 and 31% in 2012.

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### Box 3 - Crime in The Bahamas

There are growing social pathologies that threaten the country's economic model and societal cohesion.

**Figure 22: 1998 Survey - Main Causes of Crime by Gender**



**Source 20: National Crime Commission, 1998. Survey of the Crime in The Bahamas**

Crime in the Bahamian society can be directly attributed to the breakdown of families, poverty and drugs, the three of which are highly interrelated. Other contributing factors include corruption, poor police protection, the financial rewards from crime and weak court systems. There is not a large disparity in the causal factors between males and females, although where drugs are the main motivator for crime, females appear to be significantly more affected than males. Family-centric programmes that seek to raise the standard of living, provide opportunities for economic fulfillment and increase family bonds can have manifold paybacks.

**Box 3 Cont'd**
**Table 4: Crime Statistics 2012-2014**

	<b>2012</b>	<b>% chge</b>	<b>2013</b>	<b>% chge</b>	<b>2014</b>	<b>% chge</b>
<b>Crimes Against Persons</b>						
Murder and similar crimes <sup>1</sup>	131	-13	138	7	148	3
Rape and similar crimes <sup>2</sup>	276	-9	292	8	198	-29
Robbery and similar crimes <sup>3</sup>	1,491	10	1,417	-7	1,301	-10
<b>Sub-total</b>	<b>1,898</b>		<b>1,847</b>	<b>-3</b>	<b>1,647</b>	<b>-11</b>
<b>Crime Against Property</b>						
<b>Sub-total</b>	<b>9,680</b>		<b>9,026</b>	<b>4</b>	<b>7,232</b>	<b>-20</b>
<b>Total</b>	<b>11,578</b>		<b>10,873</b>	<b>-6</b>	<b>8,879</b>	<b>-18</b>

**Source 21: Royal Bahamas Police Force Crime Statistics 2014**

Since 2012, crime has been on a sharp downward trend as officials increased resources and focus on this issue. The largest drop was seen in crimes committed against property which fell 20% during 2013-14.

1. Murder; Attempted Murder; Manslaughter
2. Rape; Attempted Rape; Unlawful Sexual Intercourse
3. Armed Robbery; Robbery; Attempted Robbery

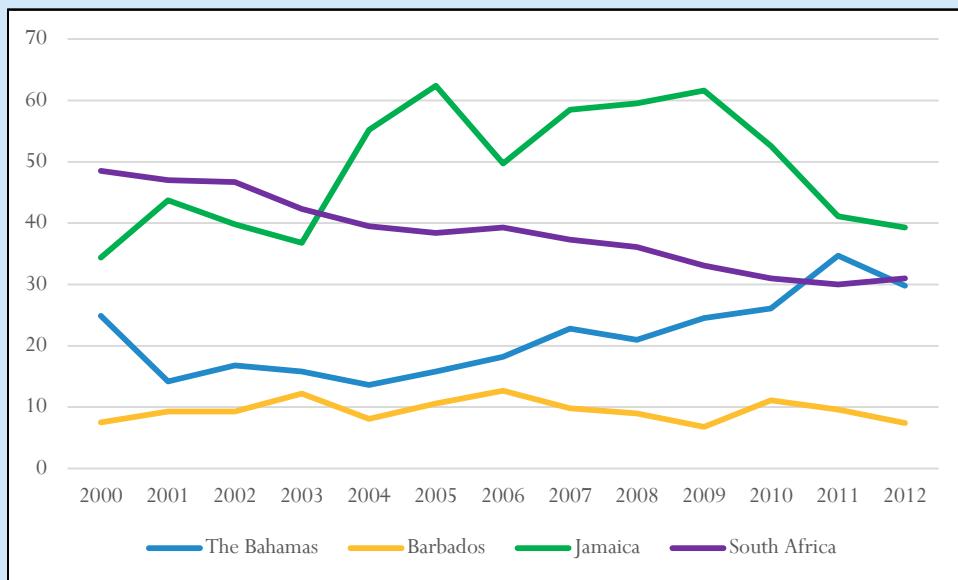
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**In 2016, the Commissioner of Police launched a new crime strategy with the following priorities:**

- The prevention and detection of crime;
- Reducing the fear of crime;
- Restoring and maintaining public trust and confidence;
- The safety and security of the public;
- Working with young people;
- The protection of the tourist industry; and
- The effective management of resources.

**Box 3 Cont'd**

**Figure 23: Homicides per 100,000 in Selected Countries**



**Source 22: United Nations Office on Drugs and Crime, 2015**

Homicide rates between 2000-2012 have shown an upward trend since 2004 peaking at 34.7 per 100 000 persons in 2011. While there was a lull in 2012, the number of homicides has continued in the previous upward trend. As at 2012, homicide levels in The Bahamas, while lower than Jamaica, were similar to those in South Africa. In contrast, Barbados, which also has a sizable tourism focus, had murder rates of 7.4 per 100,000; almost 4 times lower than The Bahamas.

The Bahamas is a small country in terms of population. This is both a blessing and a hindrance. There are relatively few people to serve, and even if they are spread out among many islands, it is relatively easy and possible for citizens to engage with the people who govern them. Societal norms and culture can be changed over time if citizens choose to govern themselves in a new way.

No country, and no system of government, is ever perfect. It must change with the times and adapt to new circumstances.

Now is the time to strengthen the governance structure and fill in gaps.

# The Environment (Built and Natural)

The question to ask when looking ahead to 2040 is - **what can be done to preserve and enhance the natural environment on the one hand and maximize the value of the built infrastructure on the other** – especially given the fact that The Bahamas is a country of islands where economies of scale are hard to achieve?

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Since there are two parts to the question, there must be two parts to the answer.

When it comes to the natural environment, some matters are the result of nature and others are the product of attitudes, behaviours and actions. Climate change and natural disasters happen to The Bahamas without its inhabitants being able to do much, if anything, to avoid them. Conditions can be monitored and, in the case of natural disasters such as hurricanes, the country can be prepared.

On the other hand, people's attitudes, behaviours and actions also affect the natural environment, for example, inadequate waste disposal and poor construction methods. This is where there is an opportunity to act. Simple changes such as recycling will help, but it goes beyond that. For example, the two major criticisms of land development in the country are that the proper balance has not been struck between development and environmental protection and that existing legislation has not been enforced. Until recently, land has only been considered valuable on the basis of its potential for development with little consideration given to the ecosystem.

While a situational analysis revealed a number of environmental challenges, many of the solutions or mechanisms to address these are already documented through previous planning initiatives. So improving environmental governance – education, planning for resilience and follow-through – should help here.

## Physical Infrastructure

The Bahamas' physical infrastructure for transportation and utilities is important for national planning. This includes cargo and passenger transportation by sea, air and land as well as power supply, water and sewage, and telecommunications.

The nation's built infrastructure, which received considerable attention in the immediate post-independence years, remains functional. However, after years of diminished investment there are many issues with respect to reliability, cost, efficiency and environmental impacts. Moreover, the Bahamian government does not have the funds to overhaul the infrastructure without non-government sources of capital.

The Bahamas has a relatively small population spread over a large, discontinuous area. It relies on sea and air transport to connect its people and the local economies. The two major industries – tourism and financial services – are highly dependent on reliable infrastructure.

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Unfortunately, infrastructure for electricity, roads and water must be built on each island and cannot be linked in a countrywide grid. This reduces economies of scale and results in higher costs.

The government is responsible for public infrastructure across most of the country – except on Grand Bahama, where the Hawksbill Creek Agreement of 1955 created a port authority which functions as a semi-autonomous local government in Freeport.

## Transportation

As an archipelago, The Bahamas depends on its water transportation system for cargo and passengers, domestic and international. Further, because the economy relies so heavily on tourism, a variety of port facilities are also needed to support waterborne commerce and recreation.

The large-scale ports which handle industrial-scale shipping exist, with fairly new facilities of sufficient capacity to handle the expected cargo volumes for at least the short and medium term. Cruise facilities in Nassau, which are an important basis for tourism, require consistent maintenance and upgrades but the government is aware of the situation and is taking steps to address it.

With regard to connection to global shipping networks, The Bahamas as a small island developing state faces connectivity challenges because it is served by a limited number of container shipping companies which provide fewer shipping services, with smaller ships than the world average.<sup>17</sup> Although the Liner Shipping Connectivity Index trends of Small Island Developing States including The Bahamas have largely remained stagnant, liner shipping connectivity over a period of 10 years (2004-2014) shows that The Bahamas and Jamaica have a higher liner shipping connectivity than their neighbours. The trans-shipment status of Freeport is reflected by it having one of the largest direct shipping connections with countries outside of the Caribbean together with Kingston and the Port of Spain.<sup>18</sup> That means that unless containers are coming from or going to France, Guyana, Jamaica, Suriname, Trinidad and Tobago, the United Kingdom or the United States they will generally need to be trans-shipped through Freeport, Kingston or the Port of Spain.<sup>19</sup>

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<sup>17</sup> United Nations Conference on Trade and Development 2014, Review of Maritime Transport 2014, p. 110. Accessed at [[http://unctad.org/en/PublicationsLibrary/rmt2014\\_en.pdf](http://unctad.org/en/PublicationsLibrary/rmt2014_en.pdf)]

<sup>18</sup> ibid p. 108

<sup>19</sup> Ibid p.108

With respect to The Bahamas' offshore ship registry, as of the 1<sup>st</sup> of January 2014, The Bahamas was ranked in seventh position in the world with a merchant shipping fleet by flag of registration of some 1,327 vessels, with 98.53% of the fleet being foreign owned.<sup>20</sup> This rank is lower than its previous ranking as the world's third largest ship registry.<sup>21</sup>

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## Transportation links are costly to provide in an archipelagic country, but critical to the national vision.

Domestic shipping among the smaller, more far-flung Family Islands presents the most pressing challenge. Many previous proposals have called for additional economic development in these Islands, including the intensification of agriculture. However, this cannot happen until sea transport and port facilities are improved. Many docks in the Family Islands need repair; which is both a safety and an economic issue. Modern and safe dock facilities are needed to support connectivity between individual Islands and the rest of the nation and to spur overall economic development.

The mail boat system that serves the Family Islands also needs to be upgraded. Service is slow and infrequent to certain destinations, but efficient to others. The system, with its hub-and-spoke route network, obsolete vessels, subsidy system and fragmentation of services among many traditional operators, is out of sync with modern practices and citizens' needs. There are currently 20 mail boats in operation. Passenger safety is also a concern, particularly after the mail boat accident in August 2003. The government is, however, working on improving safety at sea and infrastructure and, towards this end, released a first draft of the Bahamas National Maritime Policy in 2015.

Air service to The Bahamas is quite comprehensive and has been improving. Nearly all of the major North American air carriers and The Bahamas' own Bahamasair come to the 61 airports, airstrips, and helicopter landing pads. Further, to ensure that the country, as a member of the Chicago Convention on International Civil Aviation and the International Civil Aviation Organisation (ICAO), continues to meet its international obligations, government introduced a civil aviation reform package in 2015 which includes several bills. In particular, the Civil Aviation Bill 2015 establishes the Civil Aviation Authority thereby separating the industry's operational oversight from its regulatory functions.

Recent studies undertaken on airport operating conditions in the Family Island airports show that Family Island airport infrastructure is in need of improvement to ensure that these airports offer efficient and safe services. Estimates for these improvements are just over \$100 million.

<sup>20</sup> United Nations Conference on Trade and Development 2014 p. 44

<sup>21</sup> Government of the Bahamas website: Bahamas Investment Authority.

In general, roads in The Bahamas are in good condition by regional standards. However, needed expansion of the road network on New Providence is hindered by a lack of room to expand. As a result, traffic is often congested and chaotic. Road safety is also a concern as the Royal Bahamas Police Force statistics for 2015 indicate an increased trend in fatalities as a result of traffic accidents. There is a lack of a unified public bus system, including a school bus system. In September 2014, as part of an effort to improve efficiency and streamline operations in the public bus system, a valuation of the unification of the system was undertaken. There are many barriers to change, but without addressing the issue of transportation the economy and quality of life will be hindered. Over the last 25 years several Inter-American Development Bank and Ministry of Transportation initiatives have been directed towards addressing the transportation challenges of the country, particularly in New Providence, including a large scale road and transportation improvement programme and most recently a new initiative has been launched to develop an urban bus system.

### Too many cars?

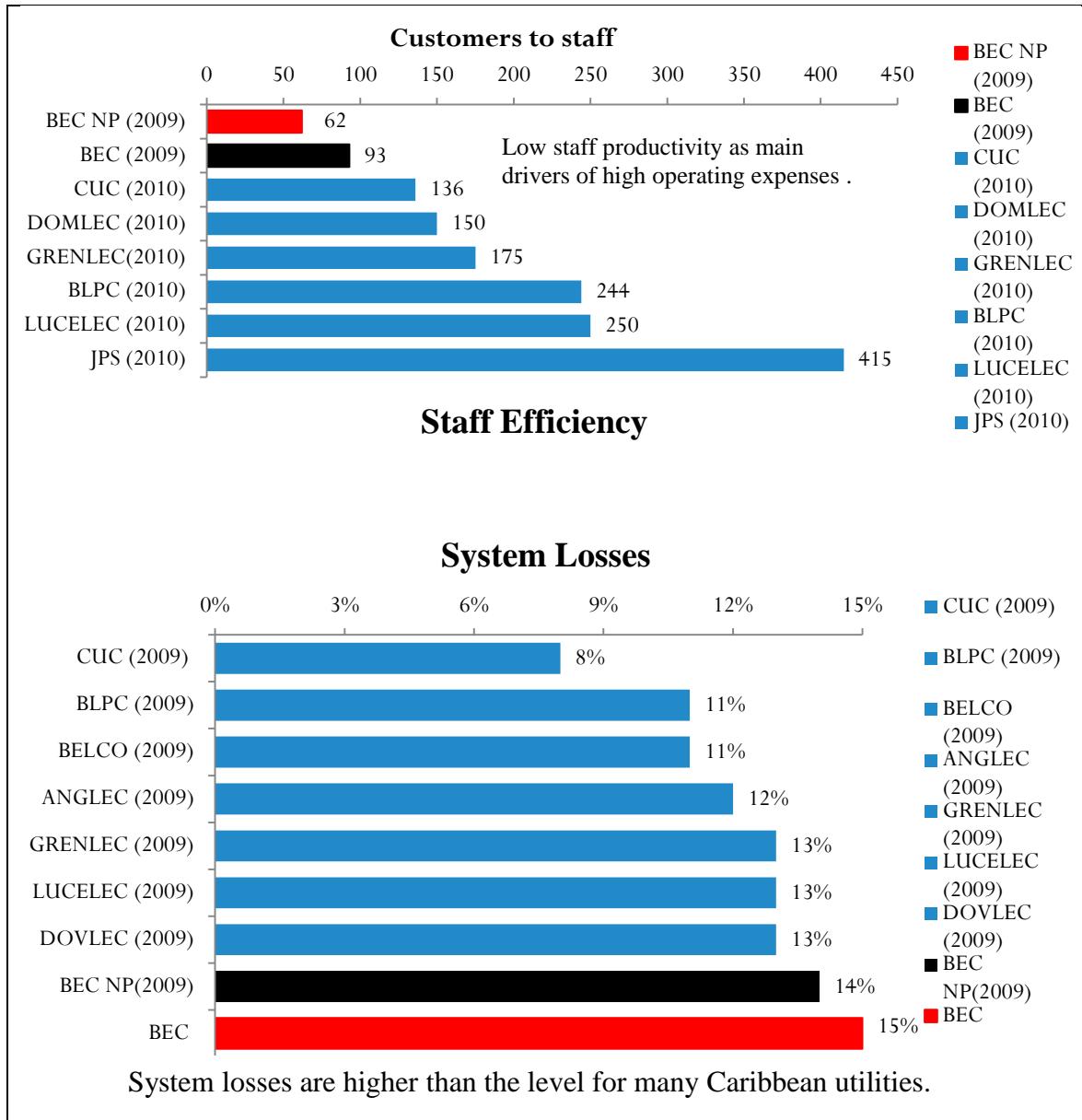
The transportation sector represents a very small segment of the Bahamian economy in contrast to regional counterparts. The number of heavy vehicles (per 1000 persons) at 16.76 was below the regional average. However, in spite of having lower road density by area, vehicular traffic is dense in the urban centres. According to the IDB 2015 transportation statistics, The Bahamas has 397.7 vehicles per 1000 persons, 44% more than found in other regional destinations. This is reflective of the limited public transportation systems. Correspondingly, gasoline and diesel consumption also exceed regional levels at 4.72 and 8.86 barrels per capita per year respectively. This inordinately high consumption reduces disposable income and squeezes out potential consumption in other areas of the economy as fuel prices (5.46 and 5.20 per liter respectively) also exceed regional rates.

### Utilities

The cost of electricity is an important economic issue. Power rates in The Bahamas are among the highest in the Latin American/Caribbean region. Virtually every economic study has suggested that the cost of electricity is a burden on the population and an impediment to improving economic performance and the private sector. One particular challenge is that the country uses petroleum-based fuel to produce most of its electricity to the point where petroleum imports equated to 11% of The Bahamas' gross domestic product in 2011.

Further, there are several pressing issues within the Bahamas Electric Corporation (BEC). Given the archipelagic nature of the country, BEC has a low customer to staff ratio at 93 customers per employee as opposed to 175 in Grenada, 224 in Barbados and 415 in Jamaica. Additionally, the system losses at BEC are about 15%, the highest in the region. (See Figure 24)

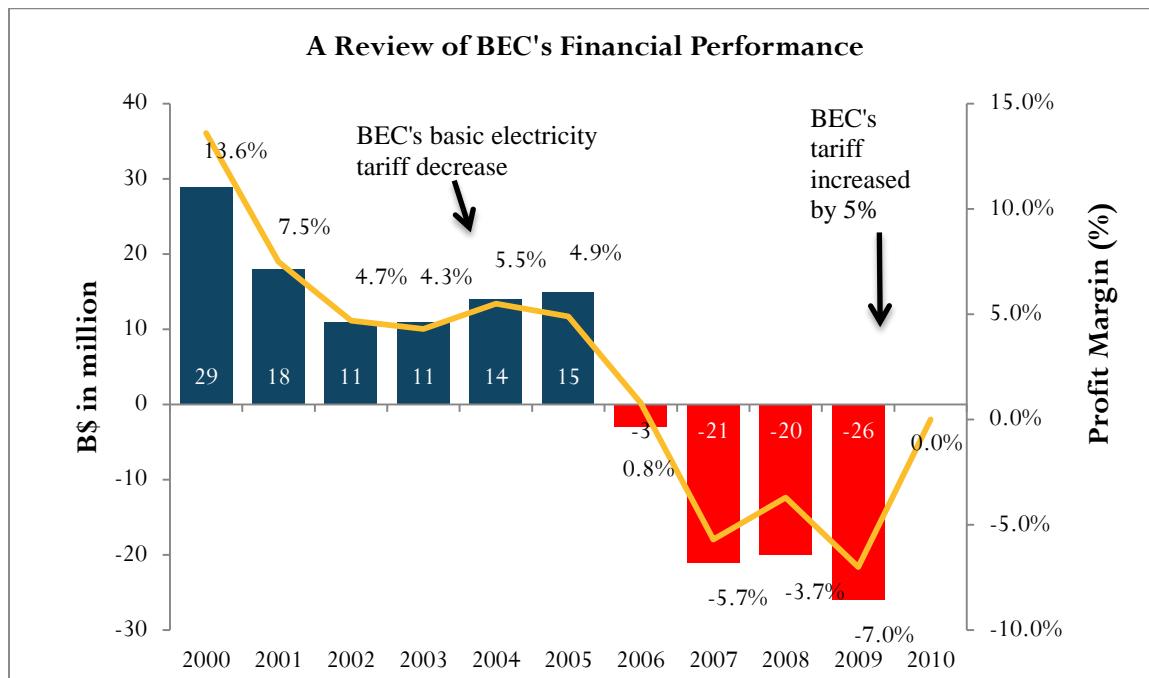
**Figure 24: BEC Compared to its Regional Peers**



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**Source 23:** Extracted from IDB's presentation at the Bahamas Energy Security Forum, December 2015

**Figure 25: A Review of BEC's Financial Performance**



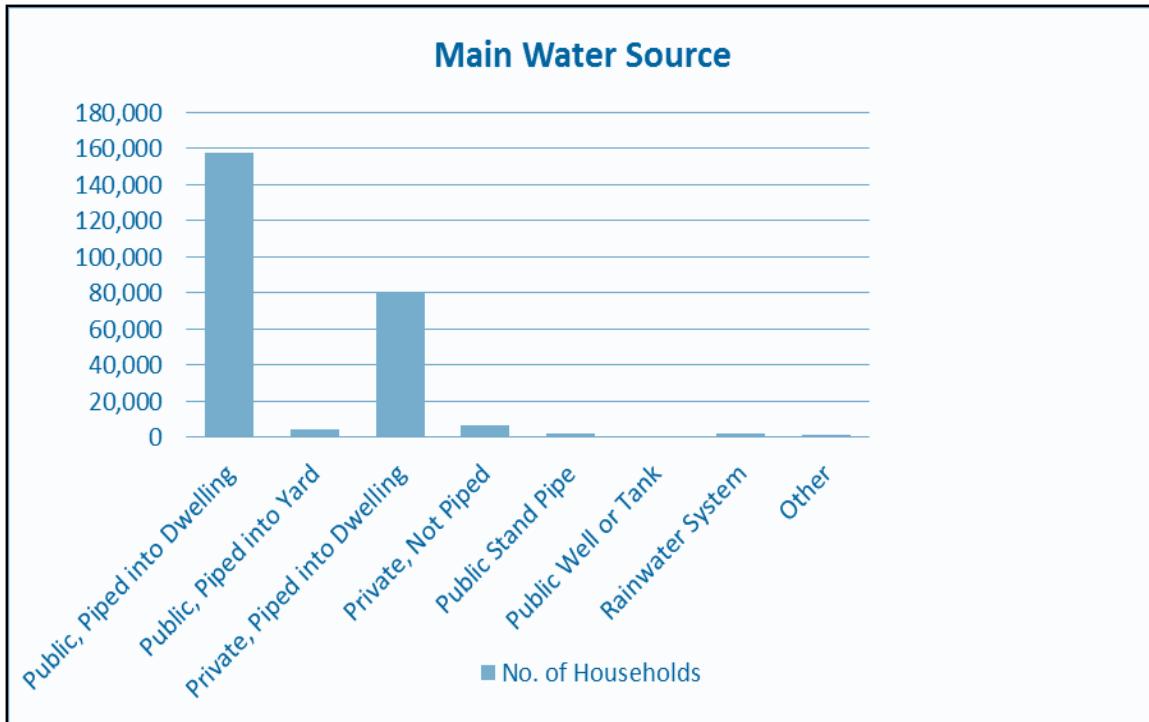
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**Source 24: Extracted from IDB's presentation at the Bahamas Energy Security Forum, December 2015**

Profit margins at BEC have declined from 13.6% in 2000 to a low of -7.0% in 2009. In 2010, the tariff was increased so as to reduce the losses at BEC and the accompanied burden on the public coffers. The high cost of energy is reflected in the cost of doing business and acts as a drag on economic performance. This underscores the importance of the National Energy Policy and the move towards more sustainable sources of energy.

Maintenance of generators has been problematic and service is unreliable, such that many more businesses in The Bahamas have emergency generators than their counterparts in the Caribbean. Although the government has embarked on a programme to reform the power sector, there are few energy conservation measures in place. Nonetheless, the recent appointment of a private sector firm to help overhaul BEC provides some basis for optimism.

Water and sanitation infrastructure also faces significant problems that are being addressed through critical interventions. Clearly necessary for public health, adequate infrastructure is also vital for the economy: it is difficult to imagine the tourism sector thriving without access to clean, safe water. Yet many households and businesses do not rely on the government utility, the Water and Sewerage Corporation (WSC). Many major property developments provide their own water and wastewater treatment facilities, while many households prefer to use wells or cisterns (see Figure 26). Unfortunately, well water can be contaminated by septic tanks and saltwater intrusion.

**Figure 26: Water Supply**


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**Source 25: Department of Statistics**

A further critical issue is that years of inadequate maintenance have left the system with an extremely high water loss rate – as high as 58% in previous years. Non-revenue water losses are the target of recent investments. These investments are showing dividends and the WSC has reported “reduced water losses by over one billion gallons within the last two years, a savings of \$6.5 million.”<sup>22</sup> Current estimates point to an additional half billion gallons reduction in water losses with a total estimated savings of \$9 million over the last two and a half years. The WSC reports that the current project will save an estimated 10 billion gallons over its 10-year implementation.

WSC has limited sewer services, with about 15 to 20% coverage on New Providence and almost none on the Family Islands. The facilities are old and usually provide very minimal treatment. Most households depend on septic tanks for the handling of their wastewater.

Problems in the water and sewerage system have negative implications for the economy, the environment and public health. There are already environmental issues that result from the poor handling of wastewater which may grow more severe as population density

<sup>22</sup> Water and Sewerage Corporate (2016), “IDB Partnership Results in Substantial Non-Revenue Water Waste Reduction in The Bahamas,” available at <http://www.wsc.com.bs/Press.aspx>

increases. However, WSC has noted that the cost of constructing a comprehensive sewage treatment system on New Providence would be “prohibitive.”

Access to clean water and basic sanitation facilities is important for the preservation of human health, especially among children. There is evidence that some households in the country do not have access to running water and rely primarily on water supply from public water pumps.<sup>23</sup> Additionally, although the majority of the country’s population has access to toilet facilities, the Department of Statistics’ 2010 Census of Population and Housing Report found that of the 102,758 households surveyed, 200 did not have access to toilet facilities. These statistics also showed that of the households surveyed, at least 5,342 households shared toilet facilities with other households.

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With respect to telecommunications, The Bahamas has generally good telecommunications services and pricing is generally reasonable by standards elsewhere. The country is highly dependent on industries such as tourism and financial services that rely heavily on high-quality communications linkages.

### **Policy, Legal and Institutional Framework for ICT**

In 2003, the government published a Policy Statement on Electronic Commerce and the Bahamian Digital Agenda, a first step towards a broader National Information Communication Technology (ICT) strategy. There have also been legislative and institutional developments aimed at creating an environment to promote the use and adoption of ICTs in The Bahamas, including:

- The enactment of electronic communications sector (ECS), electronic transactions, computer misuse and data protection legislation.
- The creation of a Data Protection Commission and a cyber-crime unit within the Royal Bahamas Police Force.

The government also implemented the Utilities Regulation and Competition Authority (URCA) with responsibility for regulating the ECS (pricing, spectrum management, customer service standards, universal service, etc.).

Although there are a few smaller niche telecommunications providers, the two main communications companies, The Bahamas Telecommunications Company (BTC) and Cable Bahamas Limited (CBL), provide fixed telephony, broadband data and Internet Protocol television (IPTV) services. BTC is still the sole provider of mobile telecommunications; however, competition in this sector is likely to be introduced in 2016. BTC was owned wholly by the government until April 2011 when a 51% interest was sold to Cable & Wireless Communications. The government subsequently

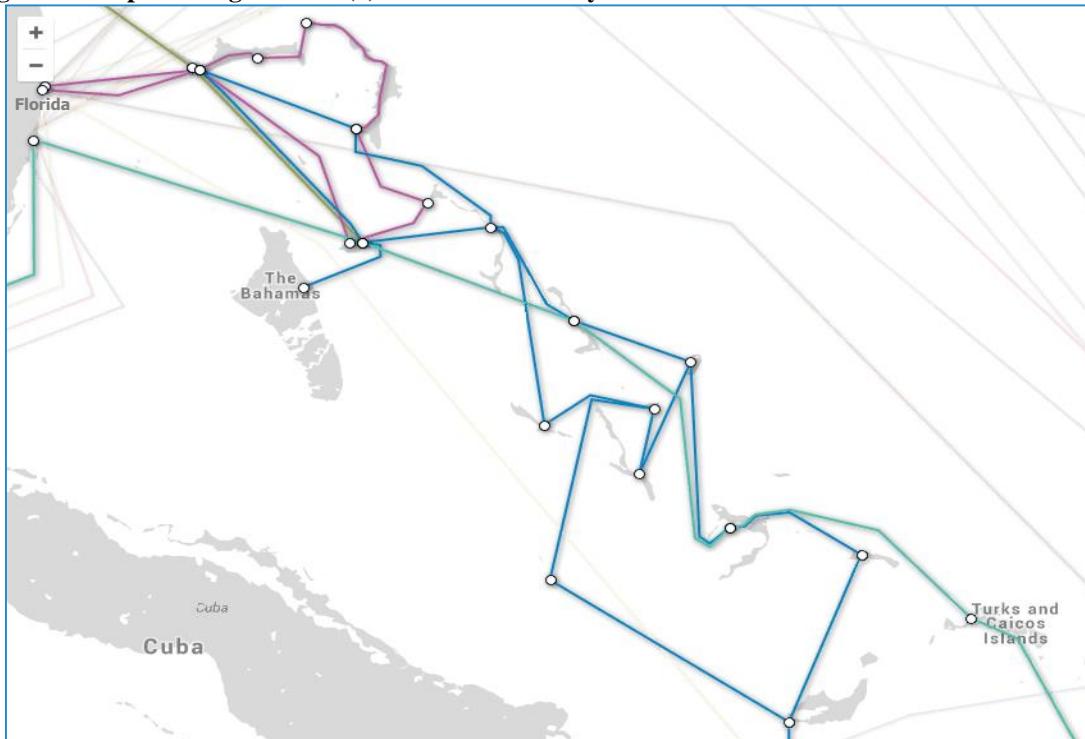
<sup>23</sup> Nunez, Paco, 18 September 2013, “That’s Bain Town for Ya,” Tribune Newspaper. Accessed at:[<http://www.tribune242.com/news/2013/sep/18/s-bain-town-ya/>] and Department of Environmental health Services 2013, “Shanty Town Project 2013.” Accessed at:  
[<http://www.thebahamasweekly.com/uploads/13/shantytownreport.pdf>]

renegotiated the agreement and Cable & Wireless transferred 2% of its shares to a government-controlled foundation, making the government the effective majority owner. As part of the privatization initiative, the way was cleared for other private providers to become involved in the market.

BTC currently operates a 2G mobile network, a 4G mobile network and a next generation telephony network. The company also launched its 4G Long Term Evolution (LTE) service for New Providence, Grand Bahama, Abaco and Eleuthera in 2014. CBL's network comprises 14 free-to-air broadcast systems on eleven (11) Islands, eight (8) stand-alone cable TV systems, and four (4) triple play systems networked by a submarine fibre, which is connected to a terrestrial fibre system in South Florida. Inter-island connectivity and connectivity with the rest of the world is achieved via four (4) submarine cable systems as shown in Figure 27.

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**Figure 27 Map showing the four (4) submarine cable systems connected to The Bahamas**



Created with TeleGeography Submarine Cable Map. <http://www.submarinecablemap.com>

Legend:

- (i) Bahamas Internet Cable System<sup>24</sup> ——————
- (ii) Bahamas II<sup>25</sup> ——————
- (iii) Bahamas Domestic Submarine Network (BDSNi)<sup>26</sup> ——————
- (iv) ARCOS<sup>27</sup> ——————

<sup>24</sup> Florida; Bahamas (Caves Point, Crown Haven, Current, Hawksbill, Riding Point, Sandy Point)

<sup>25</sup> Bahamas (Eight Mile Rock, Nassau); Florida

<sup>26</sup> Bahamas (Cat Island, Clarence Town, Cockburn Town, Crooked Island, Duncan Town, Fresh Creek, George Town, Governors Harbour, Hawksbill, Matthew Town, Mayaguana, Nassau, Port Nelson, Sandy Point); Haiti

Some inter-island connectivity is also achieved using microwave wireless systems and Fibre-to-the-Home (FTTH) infrastructure is now available on the Islands of New Providence, Grand Bahama, Abaco and Eleuthera.

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In addition to the above, according to URCA's 2014 Report and 2015 Annual Plan, there are about forty (40) free to air broadcasting stations in The Bahamas. However, the state-owned Broadcasting Corporation of The Bahamas (BCB) is the only broadcast operator that operates a radio station with nationwide coverage and that provides free analogue television in New Providence. All other entities in this market are niche radio operators whose coverage varies throughout The Bahamas with the majority broadcasting mainly to New Providence.

### Access to Electronic Communications

According to the Department of Statistics Census of Population and Housing, a significant percentage of the population (64.7%) regularly used the Internet in 2010. Demand for data services in The Bahamas continues to increase, such that broadband service providers must continually increase their capacity. According to URCA's 2014 Report and 2015 Annual Plan, at the end of 2014, 11,245 businesses and 64,809 residences in The Bahamas subscribed to broadband services. It should be noted however that there are still Family Island communities which do not have access to reliable broadband services.

Due to The Bahamas' archipelagic geography and the scattered nature of development in the Family Islands, it can be very expensive to provide the same level of service at the same cost to all locations. As provided for in the Communications Act 2009, Universal Service Obligations (USOs) have been imposed on the two significant market players in the sector, BTC and CBL. USOs generally require BTC to provide Internet connections and telephone services to all populated areas in The Bahamas and for CBL to provide Internet and basic multi-channel television services to all populated areas in The Bahamas.

Affordability is one of the factors that impact persons' ability to access telecommunications. Table 5 summarizes The Bahamas' standing according to a 2015 International Telecommunications Union study. Although broadband prices in The Bahamas may be amongst the lowest in the region, they are still considered to be expensive by international standards.

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<sup>27</sup> Bahamas (Cat Island, Crooked Island, Nassau); Belize; Nicaragua; Mexico; Columbia; Puerto Rico; Panama; Florida; Turks and Caicos; Guatemala; Honduras; Costa Rica; Dominican Republic; Venezuela; Curacao

**Table 5: The Bahamas' Ranking (Broadband Prices)**

Indicators	Data for The Bahamas	Country Ranking
Broadband Internet prices (fixed)	USD\$ 29.99/Mbps PPP\$ 26.37/Mbps	56 <sup>th</sup> in the World 2 <sup>nd</sup> in the Caribbean
Mobile post-paid broadband price, as a % of GNI p.c.	0.89	39 <sup>th</sup> in the World 1 <sup>st</sup> in the Caribbean
Mobile prepaid broadband price, as a % of GNI p.c.	1.11	53 <sup>rd</sup> in the World 1 <sup>st</sup> in the Caribbean
ICT Price Basket (IPB) – All Services <sup>28</sup>	1.2	48 <sup>th</sup> in the World 2 <sup>nd</sup> in the Caribbean

Source: ITU, 2015. Measuring the Information Society Report.

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### Building a ‘Smarter’ Bahamas

**The Sustainable Nassau project, funded by the IDB and led by the Office of the Prime Minister, is seeking to determine areas where the implementation of smart/ICT solutions would have the greatest impact on city management and to make recommendations with respect to this.**

While the IDB’s smart city/ICT assessment is still in the diagnostic phase, it is evident that there are already some smart/ ICT solutions being implemented or planned by various agencies in The Bahamas (security services, education, health, utilities, etc.). A few examples worth mentioning include:

- The integration of ICTs and the upgrade of telecommunications infrastructure in the public education system<sup>29</sup>;
- The deployment of telemedicine initiatives in some Family Islands<sup>30</sup>;
- The use of centralized supervisory control and data acquisition (SCADA) systems by the use of smart meters (residential and commercial) by BEC and WSC<sup>31</sup>;

<sup>28</sup> Includes fixed and mobile telephony.

<sup>29</sup> Bahama Islands Info. 2012. Implementation of ICT Programme Underway in Public Schools. Available at: [http://www.bahamaislandsinfo.com/index.php?option=com\\_content&view=article&id=13302:implementation-of-ict-programme-underway-in-public-schools-&catid=34:Bahamas%20National%20News&Itemid=147](http://www.bahamaislandsinfo.com/index.php?option=com_content&view=article&id=13302:implementation-of-ict-programme-underway-in-public-schools-&catid=34:Bahamas%20National%20News&Itemid=147); Bahamas Weekly. 2014. Bahamas Ministry of Education and Microsoft sign agreement to improve technology. Available at: [http://www.thebahamasweekly.com/publish/bis-news-updates/Bahamas\\_Ministry\\_of\\_Education\\_and\\_Microsoft\\_sign\\_agreement\\_to\\_improve\\_technology35339.shtml](http://www.thebahamasweekly.com/publish/bis-news-updates/Bahamas_Ministry_of_Education_and_Microsoft_sign_agreement_to_improve_technology35339.shtml)

<sup>30</sup> Caribbean Journal. 2011. Bahamas expands Telemedicine Initiative. Available at <http://caribjournal.com/2011/07/15/bahamas-uses-telemedicine-to-help-sick/>; Bahamas Weekly. 2008. Telemedicine Pilot Project goes on-stream. Available at: [http://www.thebahamasweekly.com/publish/bis-news-updates/Telemedicine\\_Pilot\\_Project\\_goes\\_On-Stream.shtml](http://www.thebahamasweekly.com/publish/bis-news-updates/Telemedicine_Pilot_Project_goes_On-Stream.shtml)

<sup>31</sup> Ibid

- The online delivery of some government services<sup>32</sup> <sup>33</sup>(real property tax, driver's licence, value added tax<sup>34</sup>, business licence<sup>35</sup>, company registration<sup>36</sup>);
- The use of close-circuit television (CCTV) and centralized control, monitoring and emergency response systems by national security services<sup>37</sup>;
- The use of smart cards as part of the National Insurance Board's insurance administration system<sup>38</sup> and for participation in the NHI programme<sup>39</sup>.

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## Land

### **Issues surrounding land ownership remain an emotive topic in The Bahamas.**

The challenges with land tenure security have been identified by the Inter-American Development Bank's Land Use, Policy and Administration Project 2005 report. The main issues include:

- overlapping claims and rights to land as a result of property disputes;
- a lack of a parcel-based cadastral map to determine geographical boundaries;
- an outdated policy for Crown Land divestment and administration which does not promote an efficient use of these lands; and
- the existence of commonage and generational property, particularly on the Family Islands. Due to the lack of clear legal title associated with this tenure system, occupants on the land do not have access to the economic value of the land and are unable to mortgage the land to make improvements.

Three 2010 bills<sup>40</sup>, which were meant to address some of the issues, were drafted but have not yet been enacted into law.

<sup>32</sup> Government of The Bahamas website: [www.bahamas.gov.bs](http://www.bahamas.gov.bs)

<sup>33</sup> BFSB. 2011. New e-Government Services Platform. Available at <http://www.bfsb-bahamas.com/news.php?cmd=view&id=3051>

<sup>34</sup> Government of The Bahamas website: <https://vat.revenue.gov.bs/Content/OnlineTaxAdministrationSystem>

<sup>35</sup> Bahamas Weekly. 2015. Bahamas Department of Inland Revenue Introduces Business License Online Registration. Available at [http://www.thebahamasweekly.com/publish/Value\\_added\\_Tax\\_ministry\\_of\\_finance/Department\\_of\\_Inland\\_Revenue\\_Introduces\\_Business\\_License\\_Online\\_Registration43172.shtml](http://www.thebahamasweekly.com/publish/Value_added_Tax_ministry_of_finance/Department_of_Inland_Revenue_Introduces_Business_License_Online_Registration43172.shtml)

<sup>36</sup> Bahamas Weekly. 2016. Bahamas Registrar General's Department Launches E-Services. Available at [http://www.thebahamasweekly.com/publish/bis-news-updates/Bahamas\\_Registrar\\_General\\_s\\_Department\\_Launches\\_E-Services45976.shtml](http://www.thebahamasweekly.com/publish/bis-news-updates/Bahamas_Registrar_General_s_Department_Launches_E-Services45976.shtml)

<sup>37</sup> Bahamas Weekly. 2016. Nottage at annual Service of The Royal Bahamas Police Force. Available at [http://www.thebahamasweekly.com/publish/bis-news-updates/Remarks\\_by\\_Nottage\\_at\\_The\\_Annual\\_Church\\_Service\\_of\\_The\\_Royal\\_Bahamas\\_Police\\_Force46546.shtml](http://www.thebahamasweekly.com/publish/bis-news-updates/Remarks_by_Nottage_at_The_Annual_Church_Service_of_The_Royal_Bahamas_Police_Force46546.shtml)

<sup>38</sup> Bahamas Tribune. 2014. Smarter Future for NIB on the Cards? <http://www.tribune242.com/news/2014/may/21/smarter-future-nib-cards/>

<sup>39</sup> Bahamas Tribune 2016. Legislation for NHI to be released this month. Available at: <http://www.tribune242.com/news/2016/jan/04/legislation-nhi-be-released-month/>

<sup>40</sup> Law of Property Bill, Registered Land Bill and Land Adjudication Bill.

## Looking Ahead

In the years after independence, the government invested heavily in costly infrastructure development across the nation. There is a need for a clear public-private sector partnership policy. New economic development, especially in the Family Islands, will require holistic planning, whether for initiating new infrastructure projects or augmenting existing ones.

Some action on infrastructure need not cost much. Initiatives to increase recycling and cut water and energy use, for example, would help ease strains until more permanent solutions could be implemented and would complement those longer-term solutions. As well, cost savings could be achieved in other ways. For example, enhanced maintenance regimes would extend the lifecycle of public infrastructure and alternative energy technologies are becoming more cost effective. The National Energy Plan (NEP) has announced a goal of improving energy efficiency and conservation and has set a target of having 30% of energy generated from renewable resources by 2033.

Public support for improvements to certain elements of the infrastructure, in particular landfills, electricity generation and distribution and public transit, is high. This will make it easier to implement new decisions.

Technology may provide solutions that are simpler and more elegant than could have been dreamed of 25 years ago. Alternative methods for generating energy are improving and becoming cheaper all the time. They would be an ideal solution for a country like The Bahamas.

**Imagine what could be done over the next 25 years!**

## Environmental Risks to Land and Water

The Bahamas is an archipelago of over 700 islands, covering an area of approximately 100,000 square miles with a land area of 5,382 square miles. This country of widely dispersed geography and diverse ecosystems has a distinctively high vulnerability to environmental impacts on its lands and waters.

**The Bahamas ranks among the most water-scarce of all Small Island Developing States (SIDS) in the world.**

In addition to threats to freshwater resources, there are issues presented by the country's close relationship to the ocean. Inadequate management and monitoring pose significant threats to the coastal and marine environment, including increased vulnerability to storm

surge and sea level rise due both to direct impacts (dredging, removal of mangroves and landfilling) and indirect impacts (pesticides and sewage discharge and runoff).

The Bahamas is overwhelmingly a marine country, both in its location and biological diversity, which presents important challenges. Fisheries policy and management are ill equipped and enforcement of regulations is weak. The effects of fisheries activities are not well understood, with research and science in this area a major gap. The risk of oil spills from existing energy plants is another significant challenge to the coastal and marine environment.

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Losses due to damage from extreme events affect the country's financial stability. Hurricane Sandy in 2012 was a relatively low intensity hurricane that still had a total economic cost of \$702.8 million, approximately 9% of the GDP<sup>41</sup>. More recently, Hurricane Joaquin destroyed large segments of the southern islands of The Bahamas. The direct cost of storm related damage has been estimated at \$100 million with the total economic impact still being assessed. A National Disaster Preparedness and Response Act was developed in 2006 and the National Emergency Management Agency (NEMA) was established to improve the nation's capacity to manage disasters.

### **Environmental Risks Due to Climate Change**

The Bahamas is considered one of the top ten most vulnerable nations in the world to the impacts of climate change. This is due in part to the combination of its small land area and the low elevation of islands, along with development, economic activity and population concentrated near the coast.

**How The Bahamas adapts to climate change will in part define its future. A sea level rise of 1 meter would eliminate 80% of the landmass of the country**

The specific impacts of climate change that will have significant effects include: increases in atmospheric temperature; intense rainfall events but less annual rainfall; increased sea surface temperatures; increased ocean acidity; sea level rise; increased tropical storm activity; and rising water tables. There will be direct human impacts (population and health) and indirect human impacts (biodiversity, water, infrastructure, and industry). Although these broad impacts have been researched, there has been limited analysis of the vulnerabilities of specific Islands, settlements or industries to the impacts of climate change. There is an urgent need for the nation to adapt.

<sup>41</sup> Adelle, T et al (2015), *A Situational Analysis of the Environment of The Bahamas*, submitted to the Government of The Bahamas

While the government has acknowledged that climate change is a serious issue, there has been little systematic and comprehensive adaptation. The preliminary steps that have been taken include:

- Developing the National Policy for Adaptation to Climate Change in 2005;
- Becoming a party to the United Nations Framework Convention on Climate Change (UNFCCC); and
- Establishing a National Climate Change Committee in 1996.

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The issue of climate change, however, has received more attention recently. In January 2014, the government hosted the first ever National Environmental Conclave and the urgency of this matter was raised by The Bahamian delegation at the United Nations Climate Change Summit. At the recent 2015 United Nations COP 21 Climate Change Conference, The Bahamas highlighted its vulnerability to climate change. Indeed, a sea level rise of 1 meter would eliminate 80% of the landmass of the country. More recent national initiatives include strengthening building codes, building coastal defences and identifying and there are discussions around the issue of how to relocate vulnerable communities.

### **Other Environmental Issues**

The Bahamas faces a number of other specific environmental issues in the areas of biodiversity, waste management, land development, air quality and challenges in the institutional and legal framework for environmental management.

The Bahamas has experienced considerable depletion of its ecosystems and species due to over-extraction, damage and fragmentation. Damage to biodiversity can be irreparable or require catastrophic spending to reclaim. Part of the nation's response has been through leadership in the Caribbean Challenge Initiative, which is a coalition of governments and other partners working to accelerate action on the marine coastal environment by committing to set and meet targets in a number of areas of environmental protection. High susceptibility to invasive alien species due to vulnerable biodiversity and an import-based economy also present significant negative impacts on biodiversity. Mechanisms for management and control of invasive species have been identified by the 2003 National Invasive Species Strategy (NISS).

Management of solid waste is an ongoing concern with respect to the condition of landfills, the burning of waste at landfills and dumpsites, and the need to improve recycling practices. Experts have pointed to the negative effects on respiratory health from the frequent fires at landfills in New Providence.

Land development practices have been criticized because of a lack of balance between the high-value placed on development and the limited consideration of environmental management and protection. There are numerous causes of this imbalance which together constitute a considerable hurdle to environmental protection.

The Bahamas has signaled its intention to improve air quality. The country is signatory to the Montreal Protocol on Substances that Deplete the Ozone Layer and the subsequent amendments that govern the emissions of chlorofluorocarbons (CFCs) and other ozone depleting substances. Also, The Bahamas is signatory to the Kyoto Protocol that calls for the limitation of carbon dioxide emissions. Its first commitment period started in 2008 and ended in 2012. However, The Bahamas has not ratified the Doha Amendment establishing the second commitment period of the Kyoto Protocol which began on 1 January 2013 and will end on 31 December 2020. The Amendment is not yet in force.

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### A comprehensive review of environmental protections and their enforcement will help protect our environment for future Bahamians.

The fragmented nature of environmental legislation and institutional mechanisms has led to inefficiencies; overlapping jurisdictions and mandates; operating within silos; confusion over permitting authorities; a lack of data and research; a general lack of monitoring and enforcement of existing provisions; and a lack of inter-governmental mechanisms for integrated resource management. Another perspective on gaps in environmental management was determined by the 2005 National Capacity Needs Assessment which includes: implementation of international conventions; definition of institutional responsibilities; lack of resources; lack of a coordination body; a highly centralised approach to environmental management; ineffective structures and management; lack of inter-departmental networks; and a lack of information transfer procedures.

There is a need for an audit of existing environmental legislation and policies, an analysis of requirements to address existing gaps, and the implementation of holistic enforcement mechanisms. The National Development Plan is an ideal opportunity to begin integrating development planning with environmental protection.

In recent years, the Government has sought to address some of the environmental concerns by introducing various initiatives including:

1. the release of a draft Environmental Planning and Protection Bill 2015 to the public for commentary. The Bill is intended to consolidate and strengthen environmental protection and planning by establishing a new Department of Environmental Planning and Protection (DEPP) and an Environmental Advisory Council;
2. the enactment of the Forestry (Amendment) Act 2014 which amends Forestry Act 2010<sup>42</sup> to strengthen forest management and conservation. The 2014 Act (a)

<sup>42</sup> Ministry of Environment and Housing, Fulfilling the Charter, A Progress Report 2012-2015. Government of The Bahamas. p 3

- establishes a permanent national forest estate and (b) vests power in the Minister of Environment to designate land as ‘forest reserves, protected forests and conservation forests’;
3. cabinet approval of the expansion of the marine protected areas to 10 % from 3% in 2014<sup>43</sup>;
  4. the enactment of the Bahamas Public Parks and Public Beaches Authority Act in 2014<sup>44</sup> establishing the Public Park and Public Beach Authority. The Authority’s functions include: managing public parks and beaches, maintaining public access to beaches and conserving parks and beaches;
  5. The Bahamas becoming a party to the SID DOCK Treaty in 2014 which is designed to provide the country with access to grant funding to finance the transformation of the country’s energy sectors in order to achieve a 25% increase in energy efficiency, to generate at least 50% of electric power from renewable energy resources and a 25% decrease in conventional fuel use;<sup>45</sup>
  6. a joint venture agreement between the Ministry of the Environment and Housing and Renew Bahamas for the latter to manage the New Providence Landfill and construct a Materials Recycling Facility (MRF). The recycling facility has been constructed and can process and sort up to 80 tons of waste per hour.<sup>46</sup>
  7. the preparation of draft Natural Resources Protection Bye Laws for the island of Grand Bahama by the Ministry of the Environment and Housing. The legislation seeks to promote efficient management of coastal resources, particularly sand, coral, and other calcareous substances.<sup>47</sup>

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**Climate change is a real and present threat to the county’s existence. Concerted action must be continued and strengthened.**

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<sup>43</sup> Ibid p. 6

<sup>44</sup> Ibid p. 9

<sup>45</sup> ibid p. 11

<sup>46</sup> Ibid p.15

<sup>47</sup> Ibid p. 18

## The Economy

The economy provides a nation's livelihood and is the result of the integration of all the pillars. It is how a nation supports itself. Looking ahead to 2040 and to focus the discussion, the following question should be asked: **What can The Bahamas do to place itself in the best position to become more diverse, more dynamic and to grow economically to support all of its citizens?**

The Bahamas is a small, open economy with a traditionally stable economic environment. In the forty years from 1975 to 2014, The Bahamas – a two-sector, service-based economy, led by a dominant tourism sector – produced a 2.8% forty-year average annual real GDP growth rate. The financial services industry is the economy's second most important sector. Broadly speaking, the country's macroeconomic policies revolve around three core goals: fiscal sustainability, attracting investment and supporting the domestic currency's fixed 1:1 exchange rate to the United States dollar.

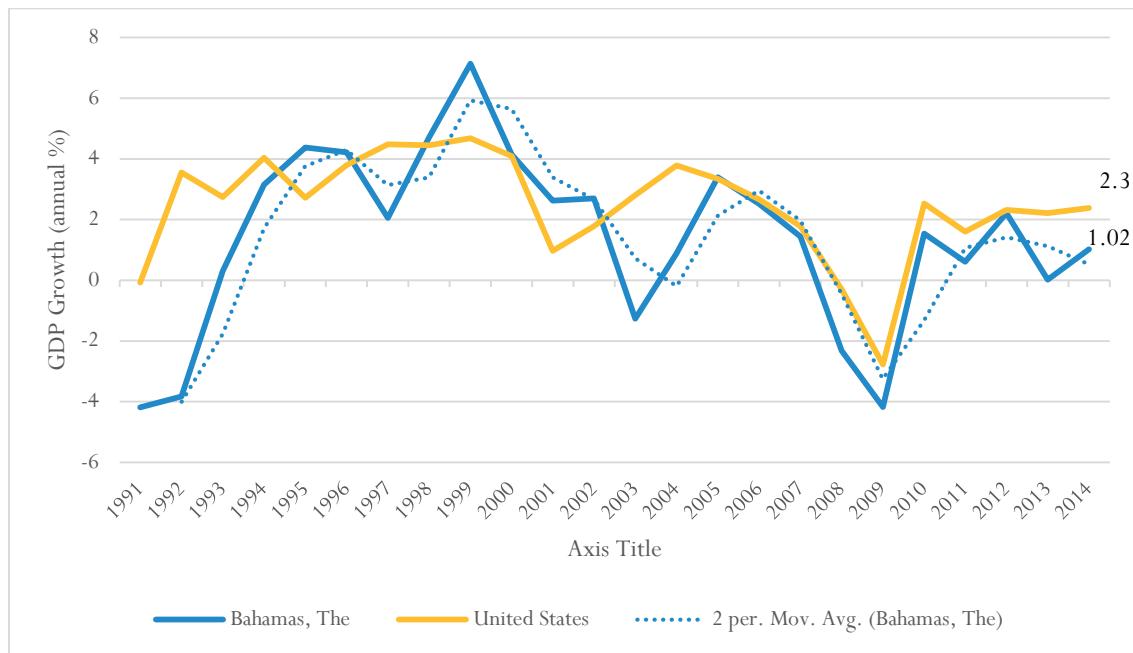
Economic performance of the country has been strong. The Bahamas is one of the most advanced economies in the Caribbean region, based on its high income level and macroeconomic stability. In 2014, GDP per capita of The Bahamas was about US\$22,217, higher than the Caribbean regional average of approximately US\$14,000, although well below levels seen in 2007 (US\$24,306). This is a significantly high income for a population of only 383,054 (2014)<sup>48</sup>.

The Bahamas' geographical location and the scarcity of raw materials and mineral resources have resulted in a specialisation of production geared towards services. Tourism is the main activity with a total direct and indirect contribution of 60% of GDP. Financial services follow in importance with a total contribution of 11-15% of GDP.

The recent international financial crisis and subsequent economic slowdown have illuminated the structural weaknesses in the Bahamian economy due to its substantial reliance on a single sector – tourism – and the substantial reliance within this sector on a single country – the United States – for its prosperity. As a result, the economic downturn in the U.S. has caused an even greater slowdown in the Bahamian economy. It could be said that the worsening economic situation of The Bahamas has in turn caused an increase in social disruption, poverty and crime.

<sup>48</sup> World Bank data, [www.worldbank.org](http://www.worldbank.org)

**Figure 28: The Bahamas and the United States GDP Growth 1991-2014**



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**Source 26: World Bank database, [www.worldbank.org](http://www.worldbank.org), downloaded 18/01/2016**

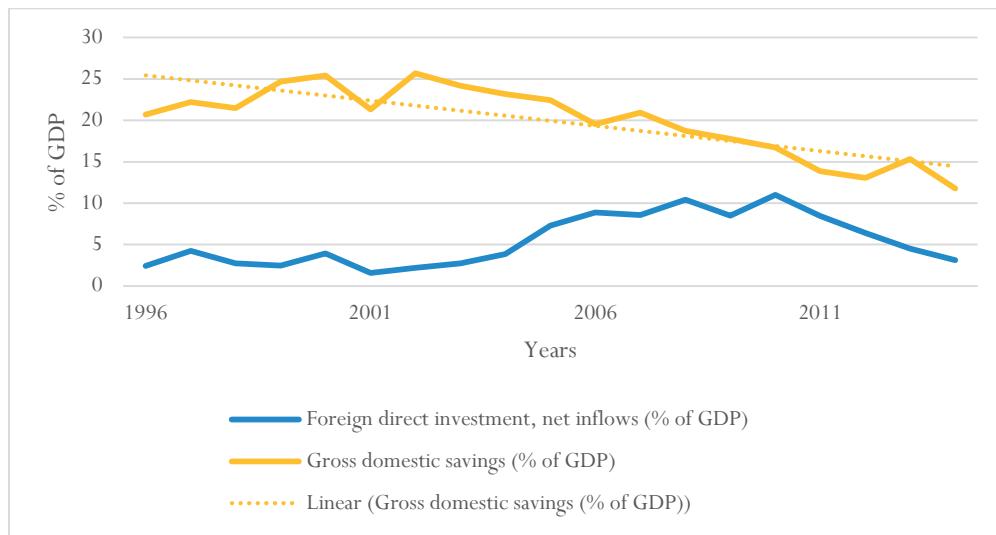
Since 1991, economic growth in The Bahamas has been on a gradual slide downwards. Closely tied to the U.S. economy, economic performance peaked at a high of 7.1% in 1999 before falling into a steep recession in 2003 and 2009, due in large part to difficulties experienced by the U.S. economy in the preceding years. The slow recovery in the U.S. post the 2008 financial crisis partially accounts for the anemic performance of the local economy; however, the continued weakness may be indicative of other structural limitations.

The U.S. downturn was so severe that five years later, in 2013, the *Economist*<sup>49</sup> noted that the recovery remained feeble compared with previous post-war upturns. Even with a stronger 2015 global outlook, GDP among many advanced economies remains below pre-crisis peaks. This is particularly significant for the developing world, particularly small island states like The Bahamas, where the effects are still pronounced and the recovery is still slowly on-going.

One avenue towards strengthening domestic growth would be the improving the culture of savings. As an import driven economy, much of the previous years' growth have been partially fuelled by external investment in the economy.

<sup>49</sup> *Economist*, September 7, 2013.

**Figure 29: Gross Domestic Savings and Foreign Direct Investment from 1996-2014 (% of GDP)**



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**Source 27: World Bank database, [www.worldbank.org](http://www.worldbank.org), downloaded 19/01/16**

As Figure 29 shows, Gross National Savings as a percentage of GDP has been on a downward trajectory since 2002, with Foreign Direct Investment (FDI) largely supporting the growth of the economy during the last ten years. Since 2010, however, FDI has experienced a sharp decline, limiting the increased potential of the economy. A strong growth in domestic savings would have a compensatory effect.

Critically too, is the use of FDI and the need for an improvement in total factor productivity. The World Investment Report (UNCTAD, 2012) identifies The Bahamas as being below expectations in FDI effectiveness despite having a high FDI to GDP stock. Countries like the Dominican Republic and Brazil were highlighted as utilising FDI more effectively. Similarly, the Economic Commission for Latin America (ECLAC) in examining Total Factor Productivity identified the inefficient utilisation of resources as a major hurdle for The Bahamas.

**Foreign Direct Investment is key to our economy; yet our ability to convert these investments into greater national wealth lags compared to others in the region.**

Total Factor Productivity (TFP) includes elements such as technological change and efficiency and is one of the key drivers of growth along with investment and labour. The ECLAC study showed that while physical capital was well beyond regional competitors, the TFP was large and negative and eroded much of the positive outputs generated by labour and capital inputs into the economy.

The historic global financial and economic crisis and the protracted impact it has had on the Bahamian economy has exposed the vulnerabilities inherent in its structure and the

developmental challenges that are inhibiting its economic growth. Despite the country's still comparatively high per capita income numbers, relative to its regional neighbours, the underlying reality is one of deepening inequalities.

The government's approach to monetary and exchange rate policy appears to be well suited to supporting an economic growth and stability agenda. Unfortunately, the policy approach is not well understood by the general public and can be a source of conflict. Investment in improving financial and economic literacy within the country would provide greater space for government and civil society to work together for an improved Bahamas.

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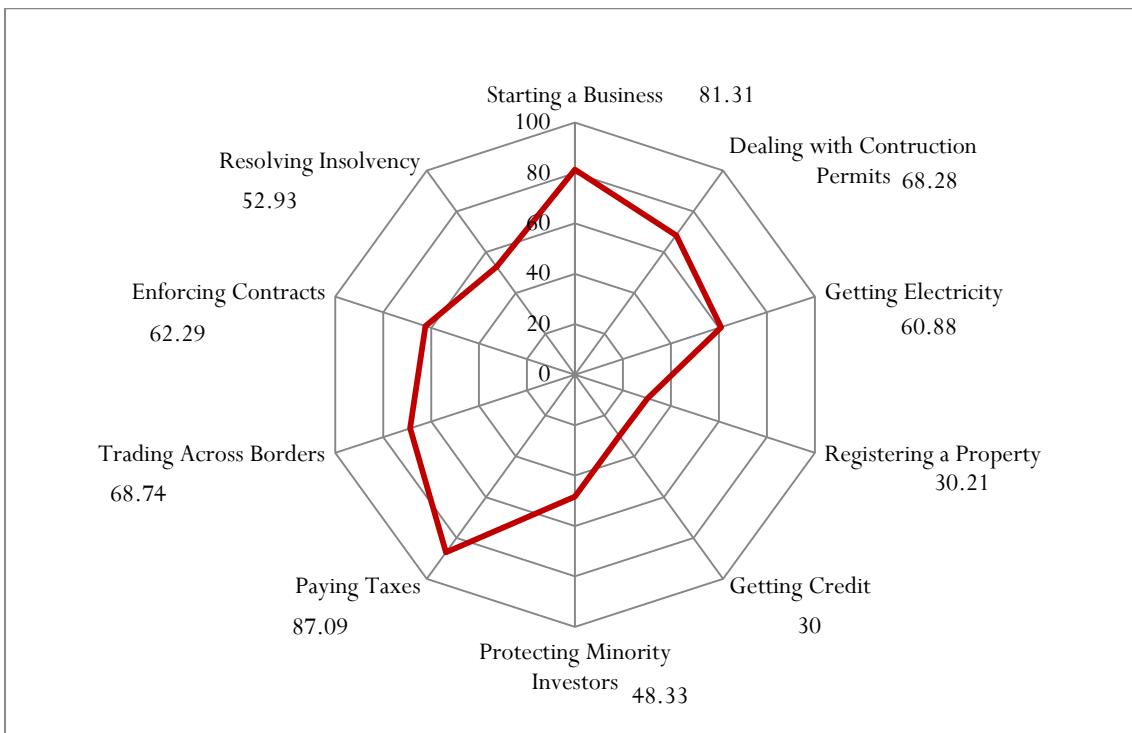
## **High debt levels limit the ability of government to fund programmes that are demanded.**

With respect to fiscal policy, total government expenditures grew steadily from below 20% of GDP in FY<sup>50</sup>2007/8 to a high of 26.1% of GDP in FY2014/15. Government revenues, which depended heavily on taxes and duties on import, averaged about 17.6% between FY 2007/8 and FY 2013/14 before growing strongly in FY2014/15 to 21.3% of GDP as a result of the increased revenue from Value Added Tax (VAT) collections. As the fallout from the 2007/8 financial crisis spread to The Bahamas, adversely impacting the key sectors of the economy, there was considerable pressure on the government to increase its spending to compensate for the reduction in domestic demand resulting from the economic downturn. This led to a steep growth in the fiscal deficit and a corresponding increase in the debt levels. The fiscal deficit peaked at 6.9% of GDP in FY2012/13 but fell to 4.8% of GDP in FY2014/15 in response to the improved revenue picture. The national debt, which was below 40% in 2007, rose to \$6.3 billion or 78.9% of GDP by 2014. This debt burden and associated costs reduced the government's ability to tackle broader issues.

## **How do we strengthen the economy?**

A key and relatively inexpensive means of both diversifying and strengthening the Bahamian economy would be to increase its "business friendliness". This review points out several areas in which the Bahamian government could relatively easily, with small policy modifications and/or minor legislative and regulatory amendments, increase the attractiveness of The Bahamas as a place to do business.

<sup>50</sup> Fiscal Year runs from July to June

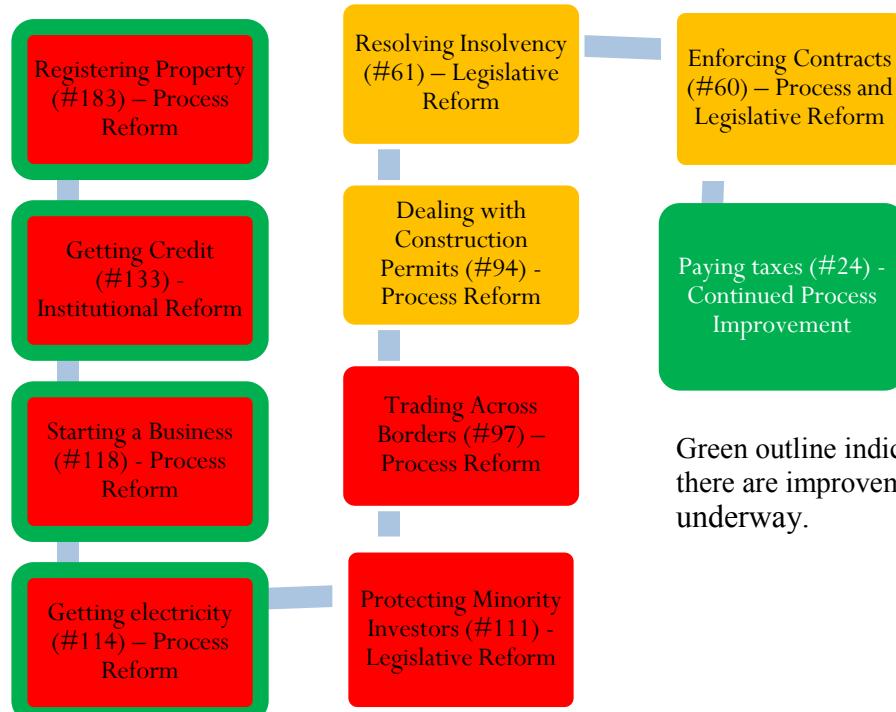
**Figure 30: Doing Business - Distance to the Frontier, 2016**


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**Source 28: World Bank, Ease of Doing Business 2015, <http://www.doingbusiness.org/reports/global-reports/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Chapters/DB15-Country-Tables.pdf>**

The spider diagram highlights the potential areas in which improvements can be made in the ease of doing business – low hanging fruits – that would improve The Bahamas’ position and assist in the stimulation of growth. These include changes to the Companies Act 1992 (which is out of sync with the needs of a growing modern business and a developing capital market), improving property registration and access to finance. As Figure 28 shows, some actions have already been taken on improving credit conditions and eliminating constraints, such as the work done to facilitate the development of a Credit Bureau. However, key changes to protect minority shareholders, enforce contracts and improve bankruptcy and insolvency resolutions are other steps that may be taken.

**Figure 31: Doing Business Priorities 2016**



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Green outline indicates that there are improvements underway.

Source 29: World Bank, Ease of Doing Business 2015, <http://www.doingbusiness.org/rankings/>

Increasing the business attractiveness of The Bahamas is a necessary first step for diversifying the Bahamian economy and providing opportunities for its citizens, especially those who will be entering the work force in the coming years. This approach is the one taken by a number of small countries, developing as well as developed, to steer their economies on a long-term sustainable growth path. For this to be successful, The Bahamas will need to measure itself against the friendliest countries in which to do business, for example, Hong Kong and Singapore, and not just against other Caribbean and South American countries.

### Key Structural Constraints of the Bahamian Economy

The Bahamas is one of fifty-two countries and territories around the world that has been classified by the United Nations as a Small Island Developing State (SIDS). All SIDS share certain economic and environmental vulnerabilities that heighten their economies' exposure to harmful external shocks.

The Bahamas retains the characteristics most broadly associated with SIDS: a limited resource base; high dependence on export earnings; small domestic market; and high susceptibility to climate change, natural, and environmental disasters. In addition, there are vulnerabilities particular to the Bahamian experience:

- *Narrow economic base:* The economy is heavily reliant on a single industry, tourism, and a single market, the U.S increasing its sensitivity to shocks affecting that market.
- *Economies of scale:* the nation's relatively small population is an inherent inhibitor of building a critical mass for businesses and growth strategies.
- *The Bahamas is a net importer:* Tourism, its dominant industry, is the economy's principal source for foreign exchange earnings.
- *Climate change:* The economy is susceptible to climate change and other natural disasters.
- *Limited tax base:* The country's tax base is narrow and predominantly dependent on tourism and trade, exacerbating the government's capacity to fund essential public services in downturn years.

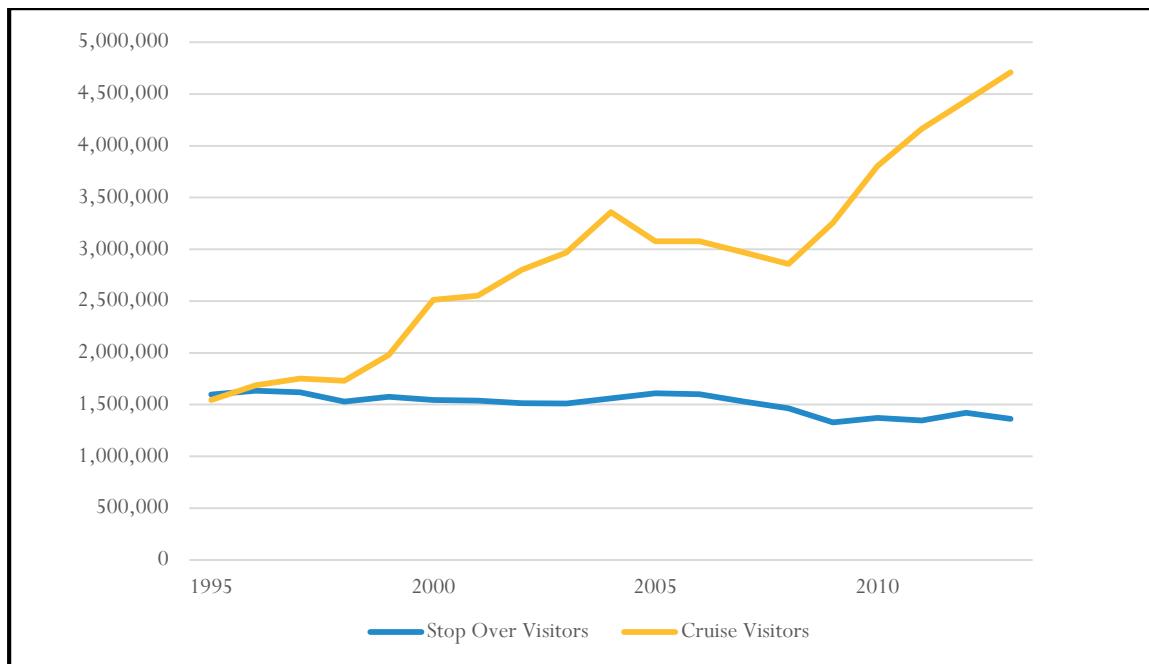
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## Tourism

Tourism is the main driver of economic activity in The Bahamas. There have been important changes to the sector over the decades, with The Bahamas now trailing the Dominican Republic, Cuba and Jamaica in stopover visitors. Indeed, declining arrivals in the lucrative stopover market is the strongest indicator of the falloff defining the sector's post-crisis performance: 1.36 million stopover visitors in 2013 compared to 1.53 million in 2007 and 1.46 million in 2000. (See Figure 30.) Visitor losses included accelerated declines in arrivals from the U.S. (7.4% in 2007, 6.8% in 2008 and 9.2% in 2009), which accounts for more than 80% of the visitor total. The deterioration in U.S. arrivals was so drastic that the 2013 U.S. stopover arrivals were at levels not seen since 1984. Conversely, cruise arrivals were at record levels – 4.90 million in 2013<sup>51</sup> – reflecting expansion trends in this segment worldwide. In terms of average visitor expenditure however, the gains in the cruise market, – (which in the past five years accounted for an average of just 15% of the overall visitor spend total), – were largely insufficient to make up for stopover losses. . In 2013, the average per cruise passenger spend was estimated at \$84.49, compared to an estimated average per stopover guest spend of \$1,381.84. Key issues limiting the sector's development were broadly categorised as "diversification-based" and "planning needs" issues.

<sup>51</sup> Ministry of Tourism- Tourism Today Network, [www.Tourismtoday.com](http://www.Tourismtoday.com)

**Figure 32: Tourist Arrivals: Long Stay and Cruise (1995-2013)**



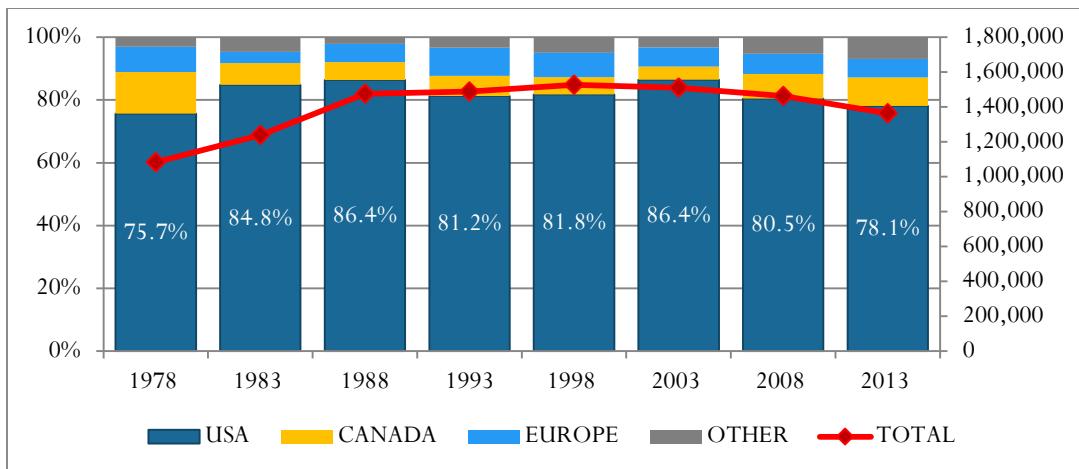
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**Source 30: Ministry of Tourism: Visitor Arrivals,**  
<http://www.tourismtoday.com/services/statistics/stopoversfrequently-requested-statisticstrends>

The most significant diversification issues highlighted included:

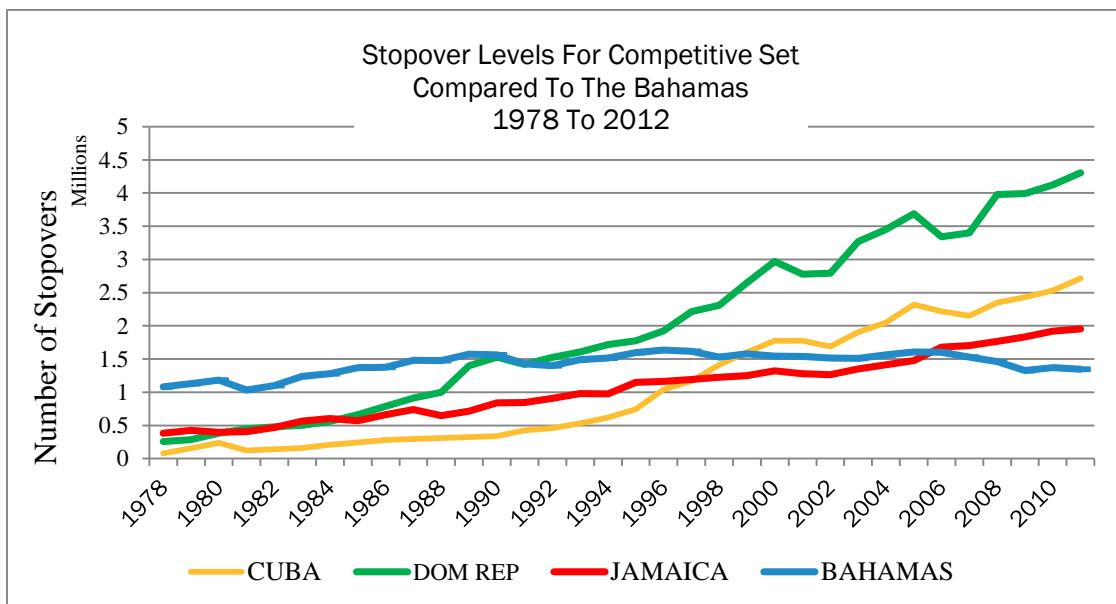
- Tourism in The Bahamas is predominantly reliant on one market, the United States (see Figure 32);
- Ownership of the tourism industry is concentrated among a few foreign investors;
- The archipelagic make-up of The Bahamas is in itself a distinct and important competitive advantage. Yet tourism is concentrated primarily in New Providence and Paradise Island; and
- The absence of quality value added services and well-formed clusters around the tourist product.

**Figure 33: Tourist Arrivals by Country of Origin 1980-2013**



Source 31: Tourism Today, <http://www.tourismtoday.com/services/statistics>

**Figure 34: Long Stay Tourism Statistics**



Source 32: Caribbean Tourism Organisation, [www.onecaribbean.org](http://www.onecaribbean.org)

Long-stay visitor arrivals to The Bahamas have flattened since peaking in the late 1990s and have been on a gradual decline as investment hotel stock stagnated. In contrast, the Dominican Republic, Cuba and Jamaica have been able to increase their share of the stay-over market, overtaking The Bahamas. More critically, these markets report an upward trajectory in direct opposition to the fall seen in the post 2007 numbers for the local industry. Of note, while security is also an issue in these countries, it has not impaired growth.

**Box 4: Economic Growth: Grand Bahama and Some of the Family Islands**

Grand Bahama is the second most populated island and one of the top three island economies in The Bahamas. The island is unique, hosting one of the first free ports in the world. The 1955 Hawksbill Creek Agreement (HCA), authorised by the Hawksbill Creek Grand Bahama (Deep Water Harbour and Industrial Area) Act 1955, designated Freeport, Grand Bahama as a special economic zone in The Bahamas. It gave the Grand Bahama Port Authority (GBPA) responsibility to build a deep-water port with an industrial zone, by establishing factories and other industrial undertakings within the Freeport area.

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Although the city of Freeport benefits from tax concessions (real property and personal property taxes are not levied by the government within the Freeport area covered by the HCA), Grand Bahama's economy continues to struggle, particularly after the devastating hurricanes of 2005. There has been a decrease in second home ownership and, as shown in the Ministry of Tourism's statistics, a decrease in the number of foreign air arrivals by first port of entry by about 64% for the period 2000 to 2015. Questions have been raised regarding the economic viability of the terms of the HCA with some arguing that the HCA has led to the underdevelopment of east and west Grand Bahama.<sup>52</sup> Concerns have also been expressed with respect to the ownership structure of GBPA. Proposals include changes to the GBPA's ownership structure such that the government obtain an equity stake in the management of the company and reclaim regulatory authority over Freeport.<sup>53</sup>

There has been some positive growth news in some Family Islands. Data from the Department of Statistics 2010 Census of Population and Housing show a decline in population growth in some of the islands. In Cat Island and Andros, population growth declined at the rate of 7.6% and 2.6% respectively. On the other hand, Exuma and Abaco experienced population growth at the rate of 94% and 30.8% respectively between 2000 and 2010. Declines in population growth can be explained by the decrease in economic activity in Cat Island and Andros while the substantial population growth in Exuma and Abaco may be as a result of economic booms in these islands particularly in the tourism sector. For example, the Ministry of Tourism statistics for Foreign Air Arrivals show that Cat Island's and Andros' foreign air arrivals by first port of entry declined by 29.5% and 8.3% respectively in 2010 from the previous year (2009). In 2015, foreign air arrivals by first port of entry declined by 7.3% in Cat Island and 6.9% in Andros from the previous year (2014). On the other hand, Exuma's and Abaco's tourism economy in 2010 increased by 70% and 4.2% respectively from the previous year (2009). More recently, Exuma and Abaco recorded a 15% and 11.5% growth respectively in foreign air arrivals by first port of entry in 2015 from the previous year (2014).

<sup>52</sup> Adderley, Scieska 13 January 2014, PLP MPs Criticise Hawksbill Creek Agreement. Accessed at: ([http://www.thenassau.guardian.com/index.php?option=com\\_content&id=44416:plmps-criticize-hawksbill-creek-agreement&Itemid=2](http://www.thenassau.guardian.com/index.php?option=com_content&id=44416:plmps-criticize-hawksbill-creek-agreement&Itemid=2))

<sup>53</sup> Hartnell, Neil 4 February 2016, Government Seeks GBPA Stake in 'Tax Break' Trade Off. Accessed at: [<http://www.tribune242.com/news/2016/feb/04/govt-seeks-gbpa-stake-tax-break-trade/>]

Over the last several years Exuma's tourism product has continued to diversify attracting long term investors who have built second homes in Great Exuma, Little Exuma and the Cays. These homes operated mainly as vacation rentals contributing substantially to the economy in various areas including construction and real estate.<sup>54</sup> The Department of Statistics 2010 Census of Population and Housing also show that Exuma and Abaco have a large working age population between the ages of 15 and 64 (58.8% and 66.8% respectively) which adds to creativity and productivity in the workforce, crucial ingredients for economic growth.

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## Financial Services

Since the onset of the global financial crisis in the second half of 2008, the financial service sector's performance has been described as generally stable despite the weakened economic conditions and the heightened post crisis regulatory and supervisory measures. The immediate effect of the crisis in the domestic banking sector was a deterioration in credit quality (high and increasing loan arrears and non-performing loans, mainly delinquent mortgages and commercial loans.) This, together with restrained private sector demand including abated consumer demand, supported conditions of persistently high liquidity. As a consequence, the profitability of banks was constrained.

In 2014, bank profitability fell below the 2013 level due primarily to a significant decline in interest income and higher operational costs. Interest rate income fell by \$28.3 million during the period while, at the same time, banks found themselves facing high operational costs including higher provisioning costs for impaired loans, higher government and professional service fees and the impairment of goodwill for one institution. Further, non-interest income, such as commissions and fees from foreign exchange transactions, also fell. As a result, domestic commercial banks experienced a net loss of \$114.1 million compared to a net gain of \$139.0 million in 2013. By contrast, credit quality in the system benefited from the transfer of a large portion of the non-performing commercial loan portfolio of one commercial bank into a Special Purpose Vehicle (SPV), thereby removing it from the balance sheet of the bank and the system.

Since 2001, the international financial services sector has faced numerous challenges as a result of external pressures, mainly from Organisation for Economic Co-operation and Development (OECD) countries and OECD-led institutions. In particular, the low- or no-tax environment of centres such as The Bahamas has led to accusations by the OECD of unfair tax competition. The offshore sector also saw its high net worth client base move away from high margin products towards more conservative investments, including cash. International bank and trust company assets were \$252.6 billion in 2014, almost half of the level seen in 2009. Institutional adjustments in both onshore and offshore segments

<sup>54</sup> PM Christie Remarks at 9th Annual Exuma Business Outlook  
Oct 24, 2015 Accessed at([http://www.thebahamasweekly.com/publish/bis-news-updates/Remarks\\_by\\_Prime\\_Minister\\_Christie\\_at\\_The\\_9th\\_Annual\\_Exuma\\_Business\\_Outlook44696.shtml](http://www.thebahamasweekly.com/publish/bis-news-updates/Remarks_by_Prime_Minister_Christie_at_The_9th_Annual_Exuma_Business_Outlook44696.shtml))

trended towards the achievement of greater operational efficiency. This included consolidation of some operations and strategic re-alignments, increased outsourcing and job rationalisation, creating reductions in employment numbers and overall industry expenditure. By the end of 2014, there were 254 banks and trust companies licensed in The Bahamas, compared to 271 in 2008 (see Figure 35 for details of the number of Banks and Trusts by type for 2008-2013). The difference reflected changes mainly in the international banking segment of the industry.

**Figure 35: Banks and Trust Companies Licensed in The Bahamas as at 2013**

Type of Company	Year					
	2008	2009	2010	2011	2012	2013
<b>Public</b>	<b>131</b>	<b>124</b>	<b>118</b>	<b>116</b>	<b>113</b>	<b>109</b>
<b>Restricted</b>	<b>130</b>	<b>139</b>	<b>150</b>	<b>155</b>	<b>147</b>	<b>152</b>
<b>Non-Active</b>	<b>10</b>	<b>18</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>6</b>
<b>Total</b>	<b>271</b>	<b>281</b>	<b>276</b>	<b>278</b>	<b>268</b>	<b>267</b>
<b>Licenses Ceased</b>	<b>16</b>	<b>19</b>	<b>9</b>	<b>8</b>	<b>11</b>	<b>9</b>

Source 33: Central Bank of The Bahamas [www.centralbankbahamas.com](http://www.centralbankbahamas.com)

**Figure 36: Performance of the Financial Sector**

	Unit	2009	2010	2011	2012r	2013r	2014p
<b>Investment Funds Administrations</b>							
Licensed Mutual Funds	Number	788	753	713	652	753	830
Licensed Administrators	Number	64	65	65	63	62	63
Asset Under Management	B\$ Billions	189.6	138.2	86.8	112.2	127.9	n/a
<b>Insurance Companies and Agents</b>							
Domestic Companies and Agents	Number	174	178	127	139	140	143
Total Domestic Assets	Number	154	157	114	124	121	122
Average Annual Salaries	B\$ Millions	1,258.8	1,326.6	1,393.0	1,506.4	1,558.9	1,661.5
Operating Costs / Total Expenditures	B\$	45,084	44,673	43,829	42,619	44,187	44,477
External Insurers	Number	20	21	14	18	19	21
<b>Credit Unions (Active)</b>							
Number of Unions	Number	15	13	13	10	7	7
Total Assets	B\$ Million	233.6	247.9	273.2	280.9	327.6	347.7
Employment	Number	129	130	134	139	141	153
Average Annual Salaries	B\$	27,099	26,585	27,487	29,605	30,090	30,085
Total Expenditures	B\$ Million	6.46	6.69	6.58	10.20	11.06	10.38
Operating Costs / Total Expenditures	%	95.5	92.2	95.5	89.5	82.8	88.6
<b>Bahamas International Securities Exchange (BISX)</b>							
Securities Listed	Number	24	23	25	27	27	29
Shares Traded	Thousands	4,917	10,860	2,899	4,080	4,084	3,979
Market Capitalization	B\$ Billion	3.02	2.91	2.91	2.87	3.00	3.50

Source 34: Extracted from *The Economic Quarterly Review*, March 2014, <http://www.centralbankbahamas.com>

The capital market remains stagnant with the number of securities listed growing by only 5 companies between 2009 and 2014. There was no appreciable difference in the number of shares traded between 2012 and 2014, with the greatest amount of activity seen in 2010. Similarly, the insurance sector, after a sharp drop in the number of companies and agents in 2011, has remained relatively static. The Investment Funds sector was the

bright spot in an otherwise lacklustre sector, with strong growth seen in the number of Fund Administrators and Assets Under Management.

As with other measures, the contribution of the banking sector to the Bahamian economy has been falling. (See Figure 35) This is expected given the decline in the number of institutions. Employment in the sector (both domestic and off shore) declined slightly with salaries remaining relatively steady. Total expenditure by the banking sector has increased steadily from 2009-2014, with the domestic sector exhibiting the higher spend of 26.6%, driven primarily by the increase in fees. The offshore expenditure increased by 10.3%.

Bahamian Financial Services associations have expressed the view that there is a need for a comprehensive immigration policy that supports the financial services sector – along with other government policies that help “grow the pie” so that all Bahamians can benefit.

**Figure 37: Gross Economic Contribution of Banks and Trusts Companies**

	2009	2010	2011	2012	2013	2014P
<b>Domestic</b>						
<b>TOTAL EMPLOYMENT</b>	3,724	3,696	3,673	3,639	3,667	3,503
<b>Non-Bahamian</b>	39	43	50	57	43	42
<b>Bahamians</b>	3,685	3,653	3,623	3,582	3,624	3,461
<b>Operating and Capital Expenditure</b>	351.0	363.6	369.6	383.5	156.6	443.5
<b>Average Salaries</b>	40,664	41,638	41,950	44,057	47,577	46,611
<b>Offshore</b>						
<b>TOTAL EMPLOYMENT</b>	1,208	1,214	1,135	1,40	1,118	1,097
<b>Non-Bahamian</b>	270	260	244	247	248	243
<b>Bahamians</b>	938	954	891	893	870	854
<b>Operating and Capital Expenditure</b>	230	343.5	249.9	239.3	241.8	253.7
<b>Average Salaries</b>	79,078	82,616	89,178	89,600	91,624	92,138

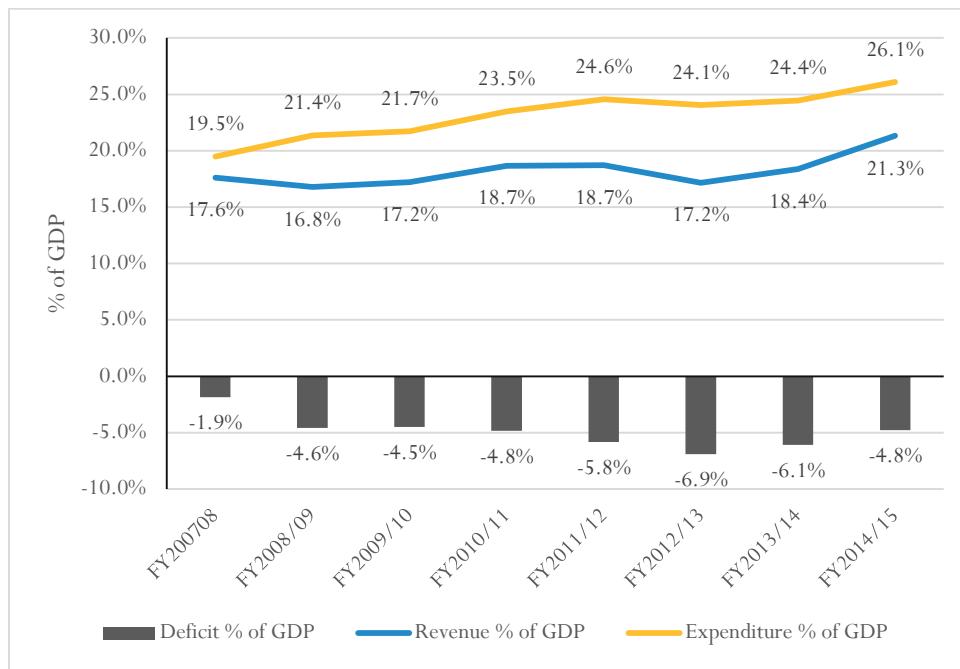
P: Provisional

Source 35: Extracted from *The Economic Quarterly Review*, March 2014,  
<http://www.centralbankbahamas.com>

## Public Finance and Fiscal Operations

Dependent mainly on tourism receipts and international trade, weakened activity in the country's number one industry and slowed import demands reduced the government's revenue intake significantly, producing larger fiscal deficits and escalating debt. The fiscal deficit rose sharply in FY2008/9 to 4.6% of GDP compared to 1.9% in FY2007/8, reaching a high of 6.9% in FY 2013/14 (see Figure 36). Over the period, government spending was maintained broadly in line with budgeted allocations, as a means of mitigating demand shocks. By the end of 2014, the national debt at \$6.3 billion was nearly twice the outstanding balance of \$3.2 billion in 2008. Of this, contingent liabilities amounted to \$699 million, 35% of which related to the Bahamas Electricity Corporation. The majority (71.4%) of the direct charge on government was denominated in Bahamian dollars and was predominately held in the form of Government Securities (\$3.02 billion) with an average maturity of about 9.9 years. Total external debt in 2014 was \$1.6 billion.

**Figure 38: Central Government Fiscal Position (FY2008-2015)**



**Source 36: The Central Bank of The Bahamas, Department of Statistics**

Improvement measures on the revenue side were likewise limited to tax compliance and administration measures aimed at boosting collections and reducing arrears. The slower than expected protracted pace of economic recovery has caused revenue to persistently underperform. Deficits remained high, with deficit financing needs underpinning the significant growth in the national debt. In order to relieve some of the dependence on international activity, a value added tax of 7.5% was implemented with effect from 1 January 2015, shifting to taxation of domestic consumption. Key development challenges facing public finance and fiscal operations include:

- *Debt sustainability.* High and increasing public debt.
- *Fiscal sustainability.* Need to contain deficit spending.

(However, considerable efforts are already underway through the Ministry of Finance to improve debt and fiscal sustainability.)

- *Constrained fiscal flexibility due to high costs of growing debt.* The costs of debt impose constraints on the fiscal budget at the expense of social and infrastructure investment and other critical areas.
- *Limited policy reach.* The government faces the difficult reality that since domestic investment is not a principal driver of the Bahamian economy, economic recovery remains significantly reliant on external factors.<sup>55</sup>

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## The Industrial Sector: Construction, Agriculture and Fisheries and Manufacturing

### Construction

Over the 2008–2014 period, abatement in the construction sector was particularly evident in the domestic investment segment, in both residential and commercial projects. The sector was supported primarily by foreign investment projects, most significantly the Baha Mar development. Public sector infrastructure investment was also critical as the government accelerated various capital development projects in response to the economic slowdown brought on by the global crisis.

### Agriculture and Fisheries

From 2000 to 2014, the agriculture and fisheries industry has on average contributed 2.4% of the country's GDP. Agricultural production accounts for approximately 30% of the industry's total output and fisheries production, the larger of the two, about 70%. In 2014, the industry's contribution of 2% was its lowest in recent years, having declined steadily over the 2008–2014 period. Recent investments have been made to improve training in agricultural and marine methods and practices with the opening of the Bahamas Agriculture and Marine Science Institute (BAMSI) in Andros.

**Table 6: Gross Value Added – Agriculture and Fisheries**

INDUSTRY	GROSS VALUE ADDED OF INDUSTRIAL ORIGIN At Current Prices				
	2010	2011R	2012R	2013Pv	2014Pi
<b>Agriculture &amp; Fisheries:</b>	170,017	169,592	176,586	148,825	140,593
Agriculture:	62,944	64,464	64,717	66,738	60,479
Fishing:	107,073	105,128	111,869	82,087	80,114
<b>% Contribution to GDP</b>	2%	2%	2%	2%	2%

<sup>55</sup> Miles, Nicholas and Simpson, Jamie, 2014, Effective Government and National Development Planning in The Bahamas.

GROSS VALUE ADDED OF INDUSTRIAL ORIGIN At Current Prices					
	(B\$ Thousands)				
<b>Agriculture:</b>	1%	1%	1%	1%	1%
<b>Fishing:</b>	1%	1%	1%	1%	1%

Pl: Preliminary, Pv: Provisional, R: Revised

**Source 37: The Department of Statistics**

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On a practical level, farmers have raised the following issues:

- The high costs associated with the transportation of agricultural goods from the Family Islands to New Providence;
- Needed improvements to transportation infrastructure;
- Lack of effective marketing of local agriculture products;
- The high cost of formalization and registration of farms;
- Limited technical and extension services support (A recent Ministry of Agriculture and Marine Resources report notes that of the 200 staff at the Ministry, only 20 are professionally trained agricultural officers and most of these trained officers are located in New Providence);
- Lack of access to Crown Land on a leased basis and the timely transfer of land titles;
- Lack of credit products tailored to farmers (i.e., production credits);
- Needed modernization of packing houses, including exploring private public partnerships in their management;
- Standards and certifications; and
- The management of labour needs for farms and immigration processing.

## Manufacturing

On average, the manufacturing sector accounts for 3.8% of the economy's GDP and 4.0% of its employment. The sector is constrained by the country's limited natural endowments and the high capital investment and technological intensiveness typically associated with starting and sustaining a manufacturing business, vis-à-vis the small-scale economies of the domestic market.

## International Trade

As a small open developing economy, The Bahamas relies on international trade to maintain and increase its standard of living. At the same time, this openness exposes it to shocks and crises originating from outside its borders. With the U.S. it's biggest, by far, trade partner (as both a supplier and a consumer) and its tourism sector also reliant on

U.S. tourists, The Bahamas is particularly exposed to shocks originating in the United States.

Not surprisingly, The Bahamas has long-relied on customs duties and tariffs as its primary revenue source and as offering some protection to domestic industry. Efforts have been made to strengthen enforcement so that the country's tax policy can meet its objectives.

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The implementation of a value added tax will reduce the tax burden on businesses in The Bahamas. Together with other measures that could be taken to increase the attractiveness of operating in The Bahamas, the country should begin to develop a more diverse economic base with an increased number of trading partners. The country is a member of the Economic Partnership Agreement (EPA) with the European Union and is in the process of becoming a member of the World Trade Organization (WTO).

For The Bahamas, increased ease for international trade could, if planned carefully, result in a healthier, more robust economy than currently is the case, with more stable government revenue flows and higher and better quality employment of its citizens.

## The current state of the economy creates larger social challenges.

The persistent abated and negative growth in most recent years has underpinned a deepening of critical socioeconomic consequences. Among the most urgent consequences:

- *Unemployment.* By May 2015, the unemployment rate in The Bahamas was 12.0%, significantly lower than the November 2014 rate of 15.7%. The number of persons reporting as unemployed fell in all islands with New Providence, Grand Bahamas and Abaco all reporting rates near the 12% level (12.0%, 12.95 and 12.2% respectively). Youth unemployment, which was estimated at 34% in 2014, remained high.
- *Consumer and government financing crowding out private sector investment.* High levels of delinquency combined with low levels of household savings and the lack of an operating credit information infrastructure has led to an immature financial sector. In turn, productive investment activities are often unable to be funded with financial institutions opting for consumer and government financing.
- *Poverty.* Poverty in The Bahamas has deepened from a rate of 9.3% in 2001 to 12.8% in 2013.<sup>56</sup> The poverty rate in New Providence was 12.6%. The rate of unemployment among poor persons was 20.4%, with 34.8% outside of the labour

<sup>56</sup> The rate of poverty measures the proportion of persons (or households) falling below the established poverty line. In The Bahamas in 2013, \$4,247 per person per year was the established poverty line for individuals.

force, including persons no longer looking for work. Among the poor in The Bahamas, 40.4% have received no more than a primary school education.

- *Crime and violence.* Deteriorating economic conditions and rising unemployment have contributed to the gravely intensified incidents of crime, in particular violent crime, in The Bahamas. In addition to its devastating social impact on communities, rising crime levels constitute a critical threat to the economy, domestic and foreign sectors. It is particularly harmful to tourism, the economy's principal driver, which is influenced by even the perception of crime.
- *Constraints due to deficiencies in skills and educational attainment.* Domestic sector diversification and the capacity to develop and sustain production in high value added goods and services is constrained by a mismatch in the supply of skills – education levels below what is required and a lack of sector specific specialised skills –with the demands of businesses.
- *Inequitable and uneven development across the islands of The Bahamas.* High per capita costs for a small population dispersed over several islands has made ensuring universal access to basic public services – education, health, water and electricity – particularly costly. As a consequence, the pattern of social and economic development varies significantly across the Islands.

Broadly, the development challenges arising from the state of the economy point to an urgent need for a coordinated national approach to identifying and addressing the economy's most important priorities.

## We need to remove barriers for Bahamian entrepreneurs.

According to the World Bank's "Doing Business" indicator 2016, The Bahamas ranked 106<sup>th</sup> as far as ease of doing business<sup>57</sup>. Singapore was number one while Jamaica, at 58, was the highest-ranked CARICOM state. It is harder to do business in The Bahamas than in many other places. Company formation, for example, takes longer in The Bahamas and is not yet fully automated as it is in competitor jurisdictions.

### Competitiveness & Private Sector Development

The business sector is comprised predominantly of private domestic firms (85.3%) with an average life expectancy for business in The Bahamas of 24.2 years compared to a regional average of 20.9 years. According to the World Bank's "Doing Business" indicator, The Bahamas' overall ease of doing business has declined steadily in recent years (ranked 55 out of 189 countries in 2009 to 106 in 2016).

A recent World Bank enterprise survey and related Compete Caribbean initiatives concluded there are eight critical areas which are obstacles to competitiveness and companies' growth:

<sup>57</sup> <http://www.doingbusiness.org/rankings>

1. *Human capital constraints*: general deficiency in skills and a lack of needed training in addition to high wages and low productivity issues.
2. *Customs and trade regulations*: need for customs modernisation and public institutional strengthening and reforms.
3. *Customs duty rates*: 80% of Bahamian companies use foreign materials or supplies. Import duties are broadly considered a constraint to domestic private sector competitiveness. (However, it should be noted that tax rates in The Bahamas are amongst the lowest in the world.)
4. *Practices of informal sector*: unfair competition against unregistered companies in addition to those in their formal markets.
5. *Access to finance*: proportion of firms using bank loans for working capital considered one of the lowest among comparator countries.
6. *Crime, theft and disorder*: firms in The Bahamas indicated spending up to 1.6% of the value of their total sales on measures to secure and protect their business, compared to a regional average of 1.5%.
7. *Electricity*: high costs alongside broadly unreliable supply.
8. *Corruption*: based on an incidence of graft index (including expectation of giving a gift in order to receive certain services), The Bahamas' score at 13.4 ranks high compared to region (6.6) and OECD countries (5.7).

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A National Development Plan can provide direction as well as objectives and targets on which to measure results.

Right now, there is an increasing skills gap between what the economy needs and what the labour force can offer. This leads to the underemployment of Bahamians with many of the best jobs going to people from outside the country. This creates a climate in which it is easier for crime to get a foothold.

Better education and training will make it easier for employers to find qualified staff. This in turn should help reduce poverty and, by extension, crime.

A better educated population will also be better equipped to help diversify the tourism sector by creating quality tour products, attractions and other value added services. This could lead to an increase in Bahamian ownership and participation in business activity.

In fact, a better educated population will help diversify the economy as a whole.

# Conclusion

There are some things that cannot be changed.

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The Bahamas is, and will remain, an archipelagic nation spread out over a large area where economies of scale are difficult.

Its population will remain small in comparison to other countries – the size of a small American or Canadian city.

**There are many things that *can* be created, changed or improved. This document shows where those improvements are needed and points to promising paths to success that will be fully outlined in the National Development Plan.**

While some challenges for the future are difficult, even daunting, others can be faced with surprising ease. It costs very little to ease the strain on infrastructure by encouraging energy conservation, or to make the work of business people easier by cutting red tape.

The difficult challenges will require all of the creative energy and innovative thinking Bahamians can muster. Those challenges must be faced, not by one Bahamian at a time, but by all Bahamians together.

In recent years, more Bahamians have opted not to return home after earning degrees abroad. When queried, they speak of limited opportunities for employment, very limited opportunities for advancement, comparatively lower wages and a lot of red tape.

Looking ahead to 2040, the hope is that the situation will be much different.

The measure of the country's success will be seen when the best and the brightest opt not only to remain, but also choose to help build a better Bahamas.

Building for that future starts today and the responsibility rests with everyone.