

**CARIBBEAN DEVELOPMENT BANK**

**TWO HUNDRED AND EIGHTY-THIRD MEETING OF THE BOARD OF DIRECTORS**

**TO BE HELD IN BARBADOS**

**OCTOBER 25, 2018**

**PAPER BD 63/18**

**COUNTRY STRATEGY PAPER 2018-2022 – THE COMMONWEALTH OF THE BAHAMAS**

The attached Country Strategy Paper outlines the collaboration strategy of the Caribbean Development Bank (CDB) with The Commonwealth of The Bahamas (The Bahamas) over the period 2018-2022. It sets out the strategic direction for CDB's engagement and outlines the details of this collaboration in order to achieve key development outcomes set out in the Government's medium-term development plan. To this end, this Country Strategy (CS) has strategically focused on particular intervention areas that have been identified in collaboration with the Government of The Commonwealth of The Bahamas (GOCB). This Strategy will focus on these selected intervention areas and is designed to ensure key contributions to GOCB's principal objective of delivering inclusive and environmentally-sustainable growth. In developing this CS, CDB held extensive discussions with key government officials, as well as other stakeholders, in an effort to promote country ownership of the programme. The CS is designed to achieve key development outcomes, as well as strengthen CDB's relationship with GOCB through increased country engagement.

2. The CS rests on the following three strategic pillars: *Environmental Protection and Infrastructure Enhancement; Inclusive Social Development; and Economic Growth and Diversification*. As such, this Strategy supports a programme of assistance that is designed to help achieve the following development outcomes in The Bahamas: (a) increased access to quality climate resilient infrastructure; (b) broadened energy efficiency and sustainable energy options; (c) enhanced educational outcomes; (d) improved governance; and (e) increased productivity, competitiveness and economic diversification. Gender equality, as well as energy security and citizen security considerations, will be mainstreamed in CDB's interventions with special attention being dedicated also to governance issues. An indicative resource envelope of one hundred and six million, five hundred thousand United States dollars (USD106.5 mn) has been estimated to support the programme of assistance over the CS period 2018-2022.

3. The proposed Strategy is aligned with CDB's Strategic Objectives of supporting inclusive and sustainable growth and development, and promoting good governance. The Strategy is designed to be results oriented and specifies key expected outputs and associated outcomes. The Strategy also incorporates lessons learned from previous country strategies so as to ensure development effectiveness.

4. The Board is asked to approve CDB's CS for The Bahamas for 2018-2022.



**CARIBBEAN DEVELOPMENT BANK**

**STAFF REPORT**

**COUNTRY STRATEGY PAPER (2018-2022)  
THE BAHAMAS**

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Considered at the Two Hundred and Eighty-Third Meeting of the Board of Directors on October 25, 2018.

(BD 63/18)

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## ABBREVIATIONS

BAMSI	-	Bahamas Agricultural and Marine Sciences Institute
BDB	-	Bahamas Development Bank
BMCs	-	Borrowing Member Countries
BSO	-	Business Support Organisations
BTVI	-	Bahamas Technical and Vocational Institute
CALC	-	Climate Action Line of Credit
CC	-	Climate Change
CCRIF SPC	-	Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company
CDB	-	Caribbean Development Bank
CS	-	Country Strategy
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
DRM	-	Disaster Risk Management
ECD	-	Early Childhood Development
ECPA	-	Enhanced Country Poverty Assessment
EE	-	Energy Efficiency
EU	-	European Union
FITSEP	-	Family Islands Transport Sector Enhancement Project
FY	-	Fiscal Year
GBV	-	Gender-Based Violence
GCF	-	Green Climate Fund
GDP	-	Gross Domestic Product
GOCB	-	Government of The Commonwealth of The Bahamas
HDI	-	Human Development Index
ICT	-	Information and Communication Technology
IDB	-	Inter-American Development Bank
IRL	-	Immediate Response Loan
km	-	Kilometre
MDBs	-	Multi-lateral Development Banks
M&E	-	Monitoring and Evaluation
mn	-	million
MOEST	-	Ministry of Education, Science and Technology
MOF	-	Ministry of Finance
MSMEs	-	Micro, Small and Medium Enterprises
MSSUD	-	Ministry of Social Services and Urban Development
MTDP	-	Medium-Term Development Plan
NDC	-	Nationally Determined Contribution
NDP	-	National Development Plan
NEP	-	National Energy Policy
OCR	-	Ordinary Capital Resources
ORM	-	Office of Risk Management
PCM	-	Project Cycle Management
PFM	-	Public Financial Management
pp	-	percentage points
PPAM	-	Public Policy Analysis and Management
PPP	-	Public Private Partnership
RBPF	-	Royal Bahamas Police Force
RE	-	Renewable Energy

RMF	-	Results Monitoring Framework
SLR	-	Sea-Level Rise
SMEs	-	Small and Medium-Sized Enterprises
SST	-	Sea Surface Temperatures
TA	-	Technical Assistance
T&D	-	Transmission and Distribution
TDEP	-	Targeted Dialogue on Energy Policy
TVET	-	Technical and Vocational Education and Training
UOB	-	University of Bahamas
USA	-	United States of America
VAT	-	Value-Added Tax
WB	-	World Bank

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**COUNTRY DATA: THE BAHAMAS**

	2013	2014	2015	2016	2017
<b>REAL PER CAPITA INCOME (Constant Prices, USD)</b>		29,134	29,140	28,355	28,467
<b>GROSS DOMESTIC PRODUCT (GDP)</b>					
Constant GDP at 2012 Prices (\$ million [mn])	10,676.5	10,660.7	10,772.1	10,590.1	10,742.3
GDP at Current Market Prices (\$ mn)	10,627.6	10,957.3	11,792.3	11,838.8	12,162.1
Constant GDP (Annual % Change)	-0.4	-0.1	1.0	-1.7	1.4
<b>Sectoral Contribution at Constant 2012 Prices (\$ mn)</b>					
Agriculture, forestry and fishing	93.6	88.0	88.6	93.2	111.9
Mining and Quarrying	63.9	83.2	58.9	32.9	30.9
Manufacturing	291.7	309.6	216.0	306.8	221.9
Electricity and gas, Water supply and Sewerage	229.8	245.2	293.2	271.0	290.4
Construction	736.5	768.1	530.2	544.1	678.6
Wholesale and Retail Trade, Motor Vehicle repairs	1382.4	1386.3	1468.2	1658.1	1730.8
Transport and Storage	545.0	572.1	560.9	568.1	516.1
Accommodation and Food Services	869.8	696.1	843.9	815.0	716.9
Information and Communication	409.2	497.7	503.1	411.4	367.5
Financial and Insurance activities	872.9	924.2	985.1	961.7	889.8
Real Estate Activities	1701.8	1750.4	1739.7	1712.6	1688.4
Professional, scientific and technical services	355.6	358.1	389.0	370.1	388.4
Administrative and support services	254.1	312.3	376.8	345.6	377.2
Public administration and defense, Social security	566.8	571.9	574.8	578.6	584.3
Education	319.7	303.7	289.6	283.2	262.2
Human Health and social work	317.1	315.8	298.3	299.9	320.5
Arts, Other Services, Etc.	770.8	805.2	843.9	842.1	874.7
<b>MONEY AND PRICES ( Annual % Change)</b>					
Consumer Prices (end of period)	1.0	0.2	2.0	0.8	1.8
Money Supply (M2)	0.2	1.2	-0.3	8.7	-0.6
Credit to the Private Sector	-1.2	-2.8	-1.1	-2.0	-0.7
<b>PUBLIC FINANCES (% of GDP)</b>					
Revenues and Grants	16.0	16.9	19.5	22.0	18.0
Expenditures	22.4	22.5	24.4	25.5	23.8
Overall Surplus/ (Deficit)	-6.4	-5.6	-4.9	-3.5	-5.8
Primary Surplus/(Deficit)	-4.1	-3.1	-2.2	-0.4	-3.5
Central Government Debt	48.0	55.4	60.2	64.4	65.9
<b>BALANCE OF PAYMENTS (% of GDP)</b>					
Exports of Goods and Services	18.9	12.5	15.6	15.7	11.9
Imports of Goods and Services	-32.4	-35.0	-31.5	-28.9	22.2
Current Account Balance	-16.9	-21.9	-13.6	-12.9	-16.4
Foreign Direct Investment Inflows	4.5	2.9	0.9	0.8	0.6
Estimated Tourism Expenditure (\$ mn)	2.3	2.3	2.2	2.3	2.1
<b>AVERAGE EXCHANGE RATE</b>					
\$ per USD	1.0	1.0	1.0	1.0	1.0

**COUNTRY DATA: THE BAHAMAS**

	2013	2014	2015	2016	2017
<b>POPULATION</b>					
Total Population		365,920	369,670	373,480	377,360
Crude Birth Rate ( per 1,000 people)	14.8	14.6	14.4	14.3	
Life expectancy at birth, Total (years)	75.2	75.4	75.5	75.7	
Female	78.2	78.3	78.5	78.6	
Male	72.1	72.3	72.4	72.6	
<b>EDUCATION</b>					
Net School Enrollment Ratio (%)					
Primary				88.2	
Secondary				82.1	
Pupil-Teacher Ratio					
Primary				19.0	
Secondary				11.8	
<b>LABOUR FORCE</b>					
Unemployment Rate (%)	16.3	13.8	12.0	12.7	9.9
Male	16.3	13.0	11.0	11.1	8.9
Female	16.1	14.6	12.9	14.5	10.9
Participation Rate (%)	72.7	72.9	73.0	76.9	80.0
Male	76.1	77.4	78.5	81.2	83.1
Female	69.8	69.1	71.5	72.0	74.9
<b>HEALTH</b>					
Current Health Expenditure (% of GDP)	7.4	7.3	7.4		
Immunisation, Measles (% of children ages 12-23 months)	92.0	92.0	94.0	89.0	
Improved Water Source (% of population with access)	97.8	97.8	97.8		
<b>HUMAN DEVELOPMENT INDEX</b>	0.789	0.79	0.792	n.a.	n.a.
<b>ENVIRONMENT</b>					
Forest Area (% of land area)					
Sources: Central Bank of Bahamas, World Development Indicators, Government of the Commonwealth of the Bahamas, the United Nations Development Programme: Human Development Report 2016.					
n.a. means not available.					
Data as at Nov. 2017.					



**GENDER MARKER SUMMARY**

<b>Gender Marker</b>	<b>Analysis</b>	<b>Design</b>	<b>Implementation</b>	<b>M&amp;E</b>	<b>Score</b>	<b>Code</b>
	1.0	0.0	1.0	0.0	2.0	MM <sup>1</sup>

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<sup>1</sup> MM: the Country Strategy Paper has taken gender considerations partially into account and has limited potential to contribute to gender equality.

## EXECUTIVE SUMMARY

1. This Country Strategy Paper (CSP) articulates the Caribbean Development Bank's (CDB) programme of support and planned interventions for The Commonwealth of The Bahamas (The Bahamas) over the period 2018-2022. The principal objective of the proposed Country Strategy (CS) with The Bahamas is to help the country achieve its medium-term development plan (MTDP). This CS has strategically focused on particular intervention areas that have been identified in collaboration with the Government of The Commonwealth of The Bahamas (GOCB), for which implementation is at an advanced preparatory stage. These intervention areas include the provision of quality climate resilient infrastructure, energy efficiency (EE) and renewable energy (RE), as well as governance and human capital improvement. The support will contribute to GOCB's mandate of delivering inclusive and environmentally-sustainable growth. In this context, the proposed CS responds to the development priorities of The Bahamas and is aligned with CDB's Strategic Objectives of: (a) supporting inclusive and sustainable growth and development; and (b) promoting good governance, as well as CDB's cross-cutting objectives of gender equality, regional cooperation and integration, and energy security.

### **Country Context**

2. The Bahamas gained full independence in 1973, and since then has been able to make significant advancements in several socio-economic dimensions. This has emanated from The Bahamas' strong economic performance, as well as key human development programmes that have facilitated steady social improvement since gaining independence. Over the past decade, however, economic growth has been volatile. Despite the achievement of growth in 2017, stronger and sustained medium-term growth in The Bahamas is still restricted by structural impediments. Structural improvements in the economy could be achieved in the energy sector<sup>1</sup>, the labour market, and in overall Government administrative processes. Standards of living in The Bahamas are affected by the distribution of growth and in access to opportunities across the Mainland and its Family Islands. These inequalities contribute to growing pockets of poverty, threats to citizen security, and other social vulnerabilities that disproportionately affect different population groups based on gender and geographic location. Against this economic and social background, there are opportunities for the country to maximise its development potential by providing climate resilient infrastructure across the archipelago and by using digitalisation to enhance educational and governance outcomes. In executing these programmes, The Bahamas has capacity constraints which require improving governance and the training of requisite staff in project management.

### **Caribbean Development Bank in The Bahamas and Lessons Learnt**

3. CDB's involvement in The Bahamas has been relatively limited in comparison to other CDB Borrowing Member Countries (BMCs), with loan and grant approvals over the period 1970-2017 totalling one hundred and thirty-seven million, six hundred thousand United States dollars (\$137.6 mn), of which \$75.8 mn has been disbursed. Over the past five years, however, there has been an overall growth in both the disbursements and the net resource flow, particularly in the area of utilities (water and sanitation) improvement. Notwithstanding, there still exists room for deeper engagement. Following the approval of the previous CSP in May 2013, four loans were approved totalling \$52.1 mn. Of these four, implementation has progressed satisfactorily for only one – the \$28.3 mn Water Supply Improvement Project. In order to maximise the development impact of CDB's assistance, the CS is designed to achieve enhanced country engagement over the CS period. The CS projects will also aim to adequately address capacity constraints in the design phase of projects.

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<sup>1</sup> Some reforms have commenced, eg. Electricity Act 2015, removes exclusivity over generation of electricity and promotes the use of RE.

## **Country Strategy 2018-2022: Proposed Pillars and Expected Outcomes**

4. CDB's proposed strategic support aims to assist The Bahamas in achieving the outcomes and development impacts that have been identified by the Government. As such, CDB, in collaboration with GOCB, has identified particular CDB intervention points for which implementation is at an advanced preparatory stage, that will help to strengthen the economic environment for sustained and inclusive economic growth and development. The CS rests on three pillars: (a) Environmental Protection and Infrastructure Enhancement; (b) Inclusive Social Development; and (c) Improved Governance and Productivity. The indicative programme of assistance has been designed to achieve the following outcomes: (i) increasing access to quality climate resilient infrastructure; (ii) broadening EE and sustainable energy options; (iii) enhancing educational outcomes; (iv) improving governance; and (v) increasing productivity, competitiveness and economic diversification. The CS will be executed through several projects financed by Ordinary Capital Resources (OCR). Where possible, CDB will look to blend OCR resources with climate change (CC) related concessional funding. Technical assistance (TA) will also be used to facilitate requisite improvements that underpin CDB's development efforts.

### **Resource Envelope**

5. The indicative resource envelope is estimated at \$106.5 mn. The size of the envelope is considered to be appropriate in the context of GOCB's fiscal capacity. The proposed envelope is twice the size of approvals during the previous CS period. However, greater utilisation of CDB resources is anticipated for a number of reasons. First, the climate-resilient infrastructure projects proposed in this CS, which constitute the vast majority of the current envelope, were programmed under the previous CSP. However, project feasibility studies and other project preparations caused significant delays. Some of these projects are now at an advanced stage of preparation and are expected to be executed within this CS period. In addition, climate risk has increased considerably and, as a result, GOCB has enhanced its interest in implementing such projects. Second, there is considerable interest in CDB's support for EE/RE projects, which constitute the second largest area of focus in the resource envelope. Third, there are increased options available for the blending of concessionary funding (such as the Green Climate Fund (GCF) for climate resilient infrastructure projects) with CDB funding, which increases the attractiveness of CDB's interventions.

### **Results Monitoring**

6. Programme accomplishments and sector outcomes will be monitored within a Results Monitoring Framework (RMF). As far as possible, sex-disaggregated data and gender-sensitive indicators will be used to allow for the monitoring of gender inequality (see Appendix 1). Routine CS supervision missions will be done to enhance country engagement. A mid-term review will also be undertaken in 2020 to assess progress towards meeting expected outcomes in the RMF. The Mid-term Review will also consider utilisation of the resource envelope within the context of possible changes to the country's fiscal circumstances. An end-of-strategy review will also be undertaken in 2022.

### **Risks and Mitigating Actions**

7. The main risks that may affect the execution of the proposed CS are: (a) credit risk; (b) liquidity risk; and (c) operational risks. CDB has identified measures to help mitigate these risks, including: (i) the provision of EE projects that will induce fiscal savings and aid the Government's effort in achieving fiscal sustainability; (ii) capacity building and institutional strengthening; and (iii) placing CC resilience directly in all infrastructure interventions.

## **1. COUNTRY CONTEXT**

### **OVERVIEW**

1.01 The Bahamas is an archipelagic state consisting of more than 700 islands, cays, and islets in the Atlantic Ocean. The country covers a total area of 13,878 square kilometres (km<sup>2</sup>) (5,358 square miles) and had a population of 393,232 at the end of 2016. The Bahamas is also one of the wealthiest countries amongst CDB's BMCs. The country had a per capita Gross Domestic Product (GDP) of \$28,785.50 and a relatively high Human Development Index (HDI) of 0.790 at the end of 2016. As seen in other archipelagic BMCs, however, the archipelagic nature of the country has challenged GOCB in its provision of homogenous public goods (such as infrastructure and education services) across its many inhabited islands, which has, in turn, constrained the inclusivity of economic growth and development.

1.02 The economy of The Bahamas is based to a large extent on tourism, with the United States of America (USA) as its main source market. The World Travel and Tourism Council estimates that travel and tourism activities by residents and non-residents within the archipelago directly contributed 20% of GDP, whereas the indirect contribution was estimated at 45% of GDP in 2017. The contribution to employment was also estimated to be 27% directly and 55% indirectly in 2017. The economy is also based to a lesser extent on financial services which directly constitute roughly 15% of GDP. The Bahamas also has a thriving shipping industry and is strategically located as an important transshipment point, with the USA being its main trading partner. The economy, therefore, is highly services based. The dominance of the tourism industry, however, makes the economic landscape inherently vulnerable to external shocks that have challenged The Bahamas in maintaining growth and development.

1.03 The Bahamas gained full independence in 1973 and, since then, has been able to make significant advancements in several socio-economic aspects. This has emanated from its strong economic performances (particularly during the 1990s up to the USA financial crisis in 2008), as well as key human development programmes that have facilitated steady social improvement since its independence. Notwithstanding these achievements, there still exist pockets of poverty and high income inequality within The Bahamas. In addition, there exist key structural impediments in the economy largely emanating from the labour market and the energy sector. The economy has also become more vulnerable to external shocks due to CC and the intensification of weather-related hazards. This vulnerability also varies widely across the archipelago, where some islands are in need of infrastructural reinforcements.

### **MACROECONOMIC CONTEXT**

1.04 The Bahamas enjoyed strong economic performances throughout the 1990s that enabled significant social improvement in the country. Over the past decade, however, economic growth has seen volatile, low or declining GDP in real terms since 2014. The downturn during this period was due to a number of factors, including: (a) lower external demand from the USA; (b) a decline in domestic demand following the introduction of the Value-added Tax (VAT) in 2015; (c) delayed opening of Baha-mar Resort<sup>1</sup>; and (d) impacts of Hurricanes Matthew and Irma. Overall, recent growth has been low and volatile as a result of export concentration and vulnerability to natural hazards. Export concentration is a result of skills deficits in some sectors, inadequate infrastructure, and the need for the enhancement of the institutional framework that regulates the business sector and facilitates the Bahamas' growth. Damage to infrastructure has also caused some disruptions to economic activity due to its vulnerability to natural hazards and CC. In 2017, however, the economy began to gather positive momentum, with growth increasing to 1.4%, which

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<sup>1</sup> The 1,800 room capacity Baha Mar Resort was originally slated to open in December 2014. However, the Resort missed three scheduled openings before the opening in April 2017 of the first hotel in the complex – the Grand Hyatt Baha Mar – and a 100,000 square foot casino.

was primarily driven by the opening of Baha-Mar, a stronger USA economy, and other tourism-related activities.

1.05 Fiscal performance has largely reflected growth performance. The introduction of VAT in 2015 resulted in an increase in tax revenue of 3.5 percentage points (pp) to 19.5% of GDP in 2015. This created additional fiscal space, but this fiscal consolidation effort was offset by increased expenditure emanating from post-hurricane spending, an increased wage bill, and the absence of expenditure-based reforms. Government expenditure increased by 2.0 pp to 24.4% of GDP during 2015. By June 2017, the fiscal deficit had increased to 5.8% of GDP – roughly the same level in 2014 prior to the VAT introduction. It is estimated, however, that the fiscal deficit will be reduced to 2.7% of GDP by June 2018 – consistent with the commitments made by the new administration in 2017. Public debt has also increased sharply as a result of the downturn in recent years. Central Government debt moved from 48% of GDP in 2013, to an estimated 57.2% of GDP in 2017. Engendering a downward trajectory in debt has been hampered by transfers to State-Owned Enterprises, which reached 2.5% of GDP at the end of 2016. In addition, the civil servants' pension system poses a significant long-term fiscal risk. Under the current pension policy, the National Insurance Board's reserves would be completely depleted by 2029.

1.06 The achievement of 1.4% economic growth in 2017 points to several improvements made in the economy in terms of the increased tourism sector capacity. Stronger medium-term growth in The Bahamas can be achieved, but is restricted by structural impediments. Improvements in growth could be gained from: (a) reforming the energy sector so as to reduce energy prices and increase supply reliability; (b) reducing the skills deficit in the labour market; and (c) improving Government administrative processes for the business sector. Regarding the energy sector, some reforms have already commenced, including the new Electricity Act 2015, which removes exclusivity over generation of electricity and promotes the use of RE. In addition, the financial sector in The Bahamas has recently recovered from heightened credit risk and lower credit quality following the USA financial crisis. While credit quality and profitability have improved sharply in recent years, there have been consecutive declines in private sector credit since 2013.

## **SOCIAL AND GENDER CONTEXT**

### **Poverty and Welfare Analysis**

1.07 The country advanced marginally in HDI from 0.790 in 2012 to 0.792 in 2015. During that period indicators for a long and healthy life, as well as access to learning and education, progressed. However the standard of living indicator (Gross National Income) declined by 2.4%. Standards of living in The Bahamas are affected by inequalities which persist in the distribution of growth and in access to opportunities across the Mainland and its Family Islands.

1.08 In 2013, poverty was estimated at 12.5%, an increase in poverty levels from the national average in 2001 of 9.3%. The Family Islands had the highest level of poverty at 17.2%, while in New Providence and Grand Bahamas the poverty rate was 12.4% and 9.4%, respectively. The majority of the poor (roughly 71.5%) lives in New Providence. Poverty was higher among female-headed households at 9.7%, compared with 7.9% among male-headed households.

1.09 The poverty estimate of 2013 was closely associated with high unemployment rates. In May 2012, the unemployment rate was 14.7% (13.4% for women and 16% for men), and in May 2013, 16.2% (16.3% for women and 16.1% for men). Although unemployment was on the decline, relatively high unemployment rates persisted into May 2016 at 12.7% (14.5% for women and 11.1% for men). The high unemployment rate over the period 2013-16 explains the low living standards recorded in the country's HDI in 2015. Along with these high levels of unemployment during the period, the gap between unemployed women and men widened, and women became the more dominant group among the

unemployed. In May 2017, some progression in labour force indicators was recorded. These advancements suggested possible improvements in living conditions across the population. In addition to an increase in the number of labour force participants, unemployment was down to 9.9%, (to 10.9% for women and 8.9% for men). However, unemployment among youth 15-24 years remained considerably higher than the national average at 20%. The Bahamas' social vulnerabilities and existing programmes and policies to address them are summarised in Appendix 2.

1.10 In addition to the unemployed, GOCB also monitors those engaged in vulnerable categories of employment. Workers in vulnerable categories of employment are usually the self-employed. There are concerns for their sustainability and welfare in the long term. They lack resilience to changes in the economy and move in and out of states of unemployment, often without the protection of safety nets to guard against periods of low economic opportunities. In the Bahamian context, they are also unable to generate sufficient savings to offset periods when demand for their services is low. They are also less likely to benefit from social security, health benefits, unemployment coverage, or contributory pension programmes. For The Bahamas, this category of employed labour force participant is growing. In 2017, 16,370 labour force participants fell into this category. Men made up 60% of the share of this category of employed. This statistic is in keeping with the labour force demographic where men dominate as self-employed workers in the technical and construction sectors.

### **Citizen Security**

1.11 Threats to citizen security are a growing concern. In 2017, the Royal Bahamas Police Force (RBPF) crime statistics reported a reduction in serious crime and overall crime for the country. The overall reduction in crime was the result of the implementation of assertive policing strategies, including visible checkpoints and a robust crime-reduction plan, especially in tourist areas. Criminality, however, persists in areas described as crime hotspots, while murders and gender-based violence (GBV) remain concerns. According to RBPF, the murder rate increased by 10% between 2013 and 2017. Some 43% of the murders were gang/retaliation-related, where victims and perpetrators were mainly young men. The National Task Force for GBV reported that there were over 6,000 incidents of GBV in The Bahamas between 2003 and 2013. The Report is from a 2013 study and, as such, may not reflect the growth and extent of the problem or the rise in incidence of GBV in the subsequent four years.

### **ENVIRONMENTAL CONTEXT**

1.12 The Bahamas archipelago is highly vulnerable to natural hazard and CC risks. These factors pose significant developmental and environmental challenges, including: coastal erosion; groundwater contamination; waste management; and coastal and marine degradation. The country ranked 98 out of 180 countries in the 2018 Environmental Performance Index, with particularly weak scores for wastewater treatment, access to drinking water and ecosystem vitality.

1.13 Climate-related risks have already been impacting key economic sectors, namely tourism, water, fisheries, agriculture and the maritime services, and will likely worsen. CC models have projected that The Bahamas will likely experience an increase in tropical storm intensity, which will affect coastal infrastructure. According to *Caribsave (2012)*, a 1 metre sea-level rise (SLR) will put 36% of the major tourism properties at risk, along with: 38% of airport lands; 14% of road networks; and 90% of seaport lands.

1.14 GOCB recently developed an Integrated Coastal Zone Management Plan, covering issues such as: land/water resource allocation; degradation of coastal ecosystems; coastal hazards; SLR; declining water quality; and shore instability. However, considerable public sector investments are needed to build the

climate resilience of public infrastructure and ports, and improve housing designs to better withstand coastal flooding.

1.15 The institutional framework for managing the environment, CC and natural hazards, includes the Ministry of Environment and Housing. There is a National Environmental Policy for ongoing sustainable use of the environment and a National Environmental Management Action Plan. The Bahamas Environmental Societies Trust is the lead agency for managing the implementation of multilateral environmental agreements and reviewing environmental impact assessments and project-related environmental management plans. Numerous pieces of legislation and national policies have been developed, but most have either remained in draft form, are now outdated, or have been implemented in a partial manner.

## **2. KEY DEVELOPMENT PRIORITIES**

2.01 The main focus of GOCB's development agenda is to develop a dynamic and competitive economy while ensuring social improvement across the archipelago. To this end, GOCB has sought to devise a plan that comprehensively addresses the main developmental challenges. These challenges have included structural impediments that have curtailed potential output, as well as other challenges relating to the need to upgrade infrastructure and provide improved social services.

2.02 The key development priorities of GOCB, according to its Draft National Development Plan (NDP), Vision 2040, rest on four main pillars: (a) improving governance structures and instituting fiscal discipline; (b) enhancing human capital and reducing the skills deficit; (c) facilitating the development of a vibrant, diversified, and competitive economy; and (d) protecting the environment and building climate resilient infrastructure. The Draft NDP was completed in 2016, and public consultation followed throughout 2017. The Draft contains short (5 years), medium (10-15 years), and long-term (25 years) actions that will serve to meet its high-level goals.

2.03 Overall, the Draft NDP seeks to address structural issues in the economy, as well as infrastructure needs in the context of building climate resilience and protecting the environment. The structural issues in the economy include: a significant skills mismatch in the labour market; high energy costs and poor supply reliability; several administrative bottlenecks in the business environment which have contributed to declining competitiveness; and vulnerabilities in relation to export concentration. GOCB is devising a strategy that is geared at addressing these issues so as to improve long-term growth and development outcomes.

2.04 GOCB's resources may not be sufficient to pursue all the actions described and, therefore, prioritisation of actions will be necessary. A logical framework that will show the logical flow between activities and the achievement of goals and long-term impacts is needed. In addition, while indicators of success and timeframes have been identified, consideration needs to be made for baseline and ongoing data collection, so that effective monitoring and evaluation (M&E) can take place.

### **Generating Macroeconomic Stability**

2.05 To effectively target these national priorities and achieve the targeted development outcomes, GOCB has highlighted the importance of firstly establishing and maintaining macroeconomic stability over the medium term so as to minimise investor uncertainty. GOCB aims to develop a plan that is underpinned by a robust framework for fiscal and debt sustainability, accompanied by a strategy for private sector development, including the conclusion of discussions regarding World Tourism Organisation membership and the role to be played by the business sector. To restore fiscal stability, GOCB has articulated its intention to: implement a hiring freeze; make budget cuts; perform an in-depth expenditure review; and enact new legislation to improve fiscal discipline. This is intended to stem the tide of the increase in the debt-to-GDP ratio that has occurred since 2011, and generate debt sustainability over the medium term.

### **Enhancing the Governance Framework**

2.06 To achieve fiscal sustainability, GOCB has also targeted governance and public performance monitoring. Critical to this is the availability of high-quality and relevant data. GOCB has articulated its intention to improve the statistical system in The Bahamas. Some of the areas where immediate attention is required relate to the institutional capacity of the Department of Statistics. Improvements are needed in internal coordination, human and technical resources, data dissemination, and the legal and normative environment (the current Statistics Act dates back to 1973). In addition to this, improvements in statistical capacity are needed for evidence-based policymaking. A platform is needed to analyse and monitor



progress in the implementation of public policies. Through the working draft of NDP, Vision 2040, GOCB has made efforts to develop a comprehensive and publicly consulted plan for the country's economic development. Once NDP becomes effective, it will require a sound implementation and M&E platform.

2.07 GOCB also faces the challenge of increasing the efficiency with which actionable data is produced and used for decision making. The Ministry of Finance (MOF) has a set of financial management systems that needs improvement. The main function of these systems is cash management and payment, but they lack integration with other sub-systems such as budget, payroll, and procurement. The Treasury and payroll systems do not share data, resulting in information being entered manually, which produces inconsistencies and is time consuming and labour intensive. Overall, public financial management (PFM) systems have limited interfaces and result in the duplication of efforts to enter and retrieve information.

2.08 Key Government functions have been evaluated using comprehensive assessment tools to establish an empirical performance baseline. Using these metrics, GOCB intends to increase return on investment for public expenditure through more rigorous performance monitoring, increased availability of high-quality statistical information, and improved budget execution. In addition, CDB's pre-training mission to assess training needs in Project Cycle Management (PCM) and Public Policy Analysis and Management (PPAM) found that a major challenge was the lack of succession planning.

### **Improving the Business Environment**

2.09 It is estimated that 85% of registered businesses in The Bahamas are small and medium-sized enterprises (SMEs) with less than 20 employees; and these SMEs face challenges that constrain their productivity and competitiveness. These challenges include: (a) inadequate access to commercial financing; (b) the need for improvement in management of businesses; and (c) high transaction costs and needed improvements in trade facilitation systems. The 2018 Doing Business Report of the World Bank (WB) ranks The Bahamas at 119 out of 190 countries. While this is an improvement on the ranking in 2016 (122 out of 190 countries), it still constitutes a steady decline over almost a decade (in 2009, The Bahamas was ranked 55 out of 189 countries). This ranking suggests the need for continued reforms in order to further improve the business environment. While reforms such as merging the VAT registration and business registration processes have made business start-up easier, customs modernisation and public institutional reforms must be accelerated.

2.10 GOCB has also outlined its intention to complete the liberalisation of the energy sector so as to reduce electricity cost. GOCB also plans to focus heavily on digital transformation projects in education services and government administration processes, which are particularly important given the archipelagic state of The Bahamas. Other reforms being undertaken include: (a) the establishment of an Electronic Single Window for trade in goods; (b) strengthening of the newly-formed Bahamas Bureau of Standards through the development and implementation of a National Quality Policy; and (c) the establishment of a trade portal to reduce the cost and time required to access trade information on The Bahamas. This should effectively improve the ease of doing business in The Bahamas.

2.11 The new administration has committed to investing \$25 mn over the next five years to help develop micro, small and medium-sized enterprises (MSMEs). GOCB has announced a partnership with the University of The Bahamas (UOB) and The Bahamas Chamber of Commerce and Employers' Confederation, with support from the Organisation of American States, which will see the establishment of the Small Business Development Centre later in 2018.

### **Increasing Access to Quality Climate Resilient Infrastructure**

2.12 There are a number of challenges currently being experienced in the water sector. These range from governance issues to general access to potable water. Rainfall is the only source of freshwater – the supply of which has waned in recent years. This decline in freshwater has been as a result of low rainfall, storm surge damage to aquifers and contamination. The water supply to most residents ranges from well sources to reverse osmosis supply systems. There are many challenges with the provision of adequate water supply, especially for the provision of services in the Family Islands due to the geographic spread of households across the islands, resulting in high investment and maintenance costs of infrastructure. In many cases, households utilise private wells that are not always safe. As such, GOCB is attempting to upgrade the supply and distribution networks to increase access to residents, especially in the Family Islands. In this sector, however, energy consumption may be costly. Therefore, the integration of EE and RE solutions into water supply operations would potentially reduce energy costs.

2.13 There is also a need to develop and implement a transportation masterplan to facilitate the coordinated and strategic use of limited resources in priority areas. One of the main transportation challenges is the congestion of the road network in New Providence. There is a need to develop alternative routes and explore the scope for different modes of transport, especially in Nassau. Additionally, there is a need to implement measures to improve road safety. Regarding marine transport, this is a key mode of transport of people and cargo – especially among the Family Islands – and as such, there is a need to ensure that docks and associated infrastructure are always in good condition to deal with the demand. Tourism development is deepening in the Family Islands in the traditional hotel sector, as well as second-home ownership developments. This creates additional burden on GOCB to provide services to support such development.

2.14 There is a need for climate risk and vulnerability assessments to be conducted for various areas, and for climate resilience to be mainstreamed into infrastructure planning. This process could be done on a more systematic basis and needs to be mainstreamed into the physical planning process.

2.15 GOCB is also interested in using public-private partnerships (PPPs) to support the levels of investment required for infrastructure development. There are many opportunities for PPPs, especially in the case of the Family Islands where touristic developments drive the need for good quality infrastructure.

### **Improving Environmental Sustainability**

2.16 The issue of CC vulnerability is being addressed on multiple fronts by GOCB. In addition to the provision of quality climate resilient infrastructure, GOCB has also prioritised implementing adaptation and mitigation measures to help minimise environmental and societal damage and losses resulting from the effects of climate-related events (see Appendix 3). A National Policy for Adaptation to CC which provides direction for a structured approach to adaptation and mitigation actions has been formulated. The country's Nationally Determined Contribution (NDC), which was formulated in accordance with the United Nations Framework Convention on CC, has identified short, medium and long-term mitigation and adaptation measures for: (a) coastal protection; (b) enforcement of setbacks and coastal wetlands restoration; (c) construction of reverse osmosis facilities throughout the islands; and (d) retrofitted water and sewage infrastructure. On the mitigation side, the NDC recommends development of a policy framework to guide development of a low-carbon development plan through the National Energy Policy (NEP), with a target to achieve a minimum of 30% renewables in the energy mix by 2030.

2.17 In the area of climate finance, The Bahamas currently participates in the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) – a risk transfer mechanism established to help mitigate Caribbean countries' exposure to hurricanes, earthquakes, and excess rainfall.

The country has access to the resources of the GCF, but has so far only benefitted from readiness support from GCF to build the country's capacity to access resources from the Fund. The Bahamas can also access subsidised funding (for up to 50% of the investment cost) under the European Investment Bank's Climate Action Line of Credit (CALC).

### **Broadening Energy Efficiency and Sustainable Energy Options**

2.18 The Bahamas is overly-dependent (approximately 99%) on imported petroleum products for powering its economy. This results in a lack of energy security; impacts negatively on environmental sustainability; and makes the economy vulnerable to oil price volatility, which undermines long-term planning.

2.19 Against this background, The Bahamas is seeking to reduce its dependence on imported petroleum products through greater use of sustainable energy options, and is also seeking to increase diversification of supplies by introduction of liquefied natural gas<sup>2</sup>. GOCB has taken a number of steps to facilitate the forgoing and the broader energy sector transition. Some of these include: the approval of the NEP in 2015; key legislative and regulatory reforms for the energy sector; and articulation of the energy sector transformation strategies in the NDP, which recognises that many of the goals cannot be achieved without addressing the overarching energy challenge. Also, in the 2017-18 Budget presentation, energy was flagged as one of the key areas that needs to be addressed in order to achieve economic competitiveness.

2.20 Improved performance (technical and financial) of the main electric utility – Bahamas Power and Light – is important in achieving the targeted energy sector transformation. In addition, the characteristic archipelagic nature of the country, while rendering energy supply and distribution more costly, is particularly amenable to some RE solutions such as the application of small wind, biomass and solar photovoltaic systems in mini-grids or stand-alone systems.

### **Improving Educational Outcomes**

2.21 The development of the education sector is predicated on “Vision 2040 – A Shared Vision for Education in the Commonwealth of the Bahamas” (2015). Having achieved Universal Basic Education, the sector's development priorities focus on: addressing unmet demand for education at both ends of the education continuum; meeting the needs of vulnerable and at-risk learners; and enhancing the quality and relevance of education and training. With the net enrolment rate in pre-primary education approximating 35%, expanding Early Childhood Development (ECD) is the next quantitative goal of GOCB by universalising access to quality pre-primary education through increased public provision while supporting the services of private providers. For basic education, improving teacher effectiveness is a singular goal which is encapsulated in the primary goal of Vision 2040 – increasing the graduation rate from secondary education from 50% to 85% by 2030. This requires an integrated set of policy and programmatic interventions including: (a) providing multiple pathways to graduation; (b) establishing minimum levels of scholastic achievement for all aspects of learning; and (c) strengthening accountability mechanisms for all performances of all students by all persons at all levels. Improving teacher effectiveness for quality, inclusive teaching and student assessment approaches, with emphasis on improved literacy and numeracy learning outcomes, is central to system efficacy.

2.22 GOCB continues to prioritise improving workforce competitiveness to address the existing and emerging skills gap by expanding access to certified, competency-based skills development in skill areas

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<sup>2</sup> This is a cleaner form of fossil fuel, and has exhibited a low and stable cost profile over the last decade.

aligned with labour market needs. This requires continued investment<sup>3</sup> in apex institutions such as the Bahamas Technical and Vocational Institute (BTVI) and the Bahamas Agricultural and Marine Sciences Institute (BAMSI), with strengthened industry linkages. With the establishment of UOB, expanding access to tertiary education while optimising distance education modalities to serve disparate populations, remains an urgent national development priority. Issues surrounding equity and the cost-effective delivery of education need to be addressed in the Family Islands, including continuous professional development, in general. In this regard, GOCB has also outlined its intention to use digitalisation in education services across its archipelago to target modern and cost-effective ways of improving educational outcomes.

2.23 In addition, addressing special education needs calls for a suite of diagnostic intervention counselling services which target the various learners at risk with cognitive, physical, socio-emotional and psychological deficits. These are to be supported by improving readiness for learning by upscaling the provision of quality ECD services to mitigate learning deficits, student attrition, and sub-optimal student achievement at the key stages of the education system.

### **Enhancing Social Outcomes for Vulnerable Groups**

2.24 While commendable progress has been made in key areas, such as the reduction in the incidence of crime and violence and access to decent work, significantly more still needs to be done to address the root causes of poverty, inequalities – namely gender equality and the geographic distribution of resources, as well as continued threats to citizen security. Further, GOCB could explore initiatives to enhance social safety net initiatives such as contributory pension programmes, health benefit initiatives and savings programmes that target labour force participants engaged in occupations categorised as vulnerable employment.

2.25 Under citizen security, GOCB's Draft NDP speaks to early-detection programmes targeting at-risk youth as a preventative response to criminal activity. It is envisaged that identification of at-risk youth will be followed by customised programming to facilitate the full participation of targeted young people in education or economic opportunities in the wider community. In addition, GOCB is cognisant of the importance of enhancing community safety. On this, the NDP speaks to responses that will strengthen the capacity of at-risk communities to participate in creating safe, productive neighbourhoods.

2.26 Gender imbalances are evident across all sectors and demographic groups. These can only be adequately addressed through the integration of gender-inclusive analysis in policy and programme preparation to facilitate customised gender-sensitive responses in all national development initiatives. GOCB has enhanced the capacity of its gender machinery to respond to this need and to further satisfy the implementation of requirements of the Convention to End All Forms of Discrimination Against Women. The Bureau of Women's Affairs was elevated to the Department of Gender Affairs, with plans for staff expansion, programme enhancements, and an increase in budgetary allocations. The structure and function of the Department will be guided by the National Gender Policy, now in draft, and the National Five-Year Strategic Plan on Domestic Violence.

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<sup>3</sup> This includes skills development investments for: expanding and upgrading the learning spaces/equipment/tools; upgrading staff qualifications, especially in new pedagogical approaches; improving branding/marketing of skills development programmes; and strengthening the linkages with industry to improve programme relevance.

### **Government's Medium-Term Development Strategy**

2.27 The Development Plan articulated by the new administration in the recent Budget is consistent with the long-term development priorities set out in the Draft NDP. GOCB has also articulated its full commitment to the Draft NDP and has started the process of approving the Plan. Also, broadly consistent with the Draft NDP are the Prime Minister's seven priorities for this parliamentary term, which are: (a) lowering the cost of energy; (b) addressing crime and national security; (c) tackling the high cost of living; (d) focusing on the Family Islands; (e) improving health outcomes; (f) regenerating selected inner-city communities; and (g) improving infrastructure. These initiatives will be funded by GOCB, as well as by CDB and other multi-lateral development banks (MDBs).

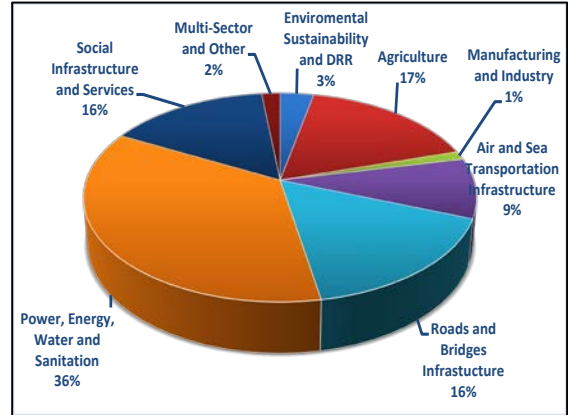
2.28 The two budget communications of the newly-elected Government (in May 2017 and May 2018) also articulate support for a national programme that enhances growth, attains fiscal and debt sustainability, and improves Government accountability and transparency. This means that priorities will have to be addressed in the most efficient manner. Over the medium term, GOCB also plans to upgrade the public sector and modify its investments in public infrastructure to support economic diversification and growth. Much of the upgrade in public infrastructure should be achieved using effective PPPs (CDB is currently crafting a PPP national policy for The Bahamas) and by invigorating domestic entrepreneurship by implementing legislating procedures that improve the ease of doing business. This will also be aided by targeted inducements and incentives with the private sector, including the commercial banks.

### 3. COUNTRY PORTFOLIO, REVIEW OF COUNTRY STRATEGY 2013-17 AND LESSONS LEARNT

#### COUNTRY PORTFOLIO

3.01 The Bahamas is one of CDB’s smallest shareholders, with ownership totaling 2,148 shares or 0.77% of total share capital. CDB’s involvement in The Bahamas has been relatively small – with approvals over the period 1970-2017 totaling \$137.6 mn, of which \$75.8 mn have been disbursed. As at May 2018, CDB’s loan exposure to The Bahamas was approximately \$18.9 mn, which is less than 1% of CDB’s total disbursed debt outstanding from its BMCs. A higher level of engagement, relative to what has been programmed in previous country strategies, did not materialise due to a number of implementation issues. As shown in Figure 3.1, approved CDB projects have mainly been in the area of utility improvements (particularly in water and sewerage), as well as public infrastructure development.

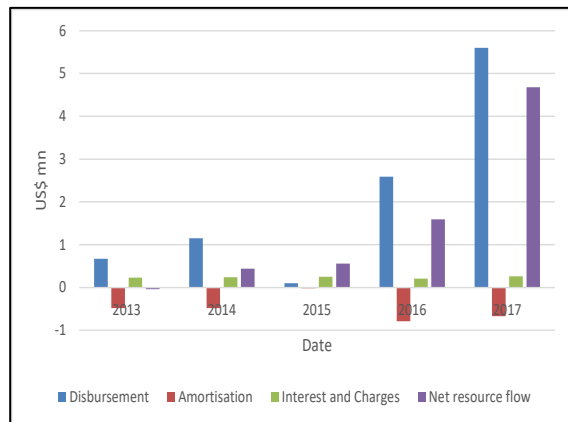
**FIGURE 3.1: DISTRIBUTION OF LOANS, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED FROM 1970 TO SEPTEMBER 30, 2017 (%)**



Source: CDB.

3.02 A 2012 CDB Issues Paper notes that several projects were not implemented in previous country strategies, even after substantial preparation and appraisal by CDB. These included: (a) Montague Beach Resort; (b) Cable Beach Sewerage; (c) Nassau International Airport Development; (d) Bahamas Racquet Club; (e) Abaco Port Development; (f) Disaster Relief and Emergency Relief; and (g) Nassau Craft Market. There were varying reasons given for the slow progress made on these operations, some of which included the low level of country engagement. These reasons have informed lessons which have influenced the design of this CS so as to increase efficiency and the probability of successful interventions and development outcomes.

**FIGURE 3.2: PORTFOLIO FLOWS (USD mn)**



Source: CDB.

3.03 Over the five-year period 2013-17, as shown in Figure 3.2, net portfolio flows have been generally positive, with the exception of 2013 when CDB provided only a marginal amount of financial assistance to The Bahamas. There has been strong growth in disbursements and the net resource flow in recent years, which reflects enhanced country engagement, particularly in the area of utilities (water and sewerage) improvement.

## REVIEW OF COUNTRY STRATEGY 2013-17

3.04 The previous CSP for The Bahamas covered the period 2013 to 2017, and contemplated interventions under the following five broad outcomes:

- (a) **Infrastructure:** improved access to, and quality of, climate-resilient social and economic infrastructure.
- (b) **Education:** enhanced access to quality and demand-driven post-secondary and tertiary education.
- (c) **Social Inclusion and Citizen Security:** increased social inclusion and citizen security.
- (d) **MSMEs Development:** strengthened productive and managerial capacities of MSMEs.
- (e) **Public Finance and Planning:** improved public finances and planning.

3.05 The indicative resource envelope of this 2013-17 CSP was contemplated under a number of scenarios that were dependent on economic growth, implementation speed and fiscal capacity during the period. In the baseline scenario, interventions summed to \$80.7 mn. Following the approval of the CSP in May 2013, four loans were approved over the strategy period totaling \$52.1 mn. Of these four, implementation has progressed satisfactorily for one – the \$28.3 mn Water Supply Improvement Project. The \$16.2 mn College of Bahamas Transformation Project was halted after GOCB failed to meet loan conditions and, eventually, GOCB requested a loan cancellation for this project. The remaining two projects (the Geomatics Enhancement for Disaster Risk Management (DRM) Project and the Technical and Vocational Institute Enhancement Project) are still awaiting Parliamentary Approval to progress to the Loan Agreement signing stage. Table 3.1 provides a summary of loan approvals and disbursements to date for each project during the strategy period 2013-17.

3.06 There were other disbursements of \$2.7 mn for projects approved prior to 2013 (see Table 3.2). These funds were disbursed for the Family Islands Transport Sector Enhancement Project (FITSEP) (approved in 2010) and for an Immediate Response Loan (IRL) that was part of a disaster management and reconstruction package following the passage of Hurricane Sandy in 2012. In the last quarter of 2017, however, the undisbursed loan balance of FITSEP was recommended for cancellation.

3.07 Other recent CDB involvement includes grants from the Caribbean Technological Consultancy Services (CTCS) to support MSME development, and standard loan and grant offers for emergency relief and reconstruction efforts after the passage of Hurricanes Matthew and Irma in 2016 and 2017, respectively.

**TABLE 3.1: NEW LOAN APPROVALS AND DISBURSEMENTS  
MAY 2013 – MARCH 2018 (\$ mn)**

<b>2013-17 CSP and up to March 2018 (Project Number)</b>	<b>Loan Approvals</b>	<b>Loan Disbursements</b>
Water Supply Improvement (3889)	28.3	12.8
Geomatics Enhancement for DRM	2.9	-
College of The Bahamas Transformation Project (3780)	16.2	0.2
Technical and Vocational Institute Enhancement Project (3815)	4.7	-
<b>Total</b>	<b>52.1</b>	<b>13.0</b>

Source: CDB.

**TABLE 3.2: TOTAL LOAN DISBURSEMENTS (MAY 2013 – MARCH 2018)**

<b>Loan Disbursement by Project (Project Number)</b>	<b>Amount (\$ mn)</b>
FITSEP (3589)	1.9
IRL – Hurricane Sandy (3720)	0.6
Water Supply Improvement (3889)	12.8
College of The Bahamas Transformation Project (3780)	0.2
<b>Total</b>	<b>15.5</b>

Source: CDB.

## LESSONS LEARNT

3.08 To enhance the success of the CS, there is a need to incorporate some lessons learnt during previous CSs and refine the strategic posture going forward. These lessons are as follows:

- (a) **Previous CSs may have suffered from low country engagement and monitoring.** The success of the CS implementation has been constrained by the low level of country engagement, which resulted in enhanced implementation issues. Increased communication and engagement are needed to smoothen implementation issues and increase clarity of CDB's conditions.
- (b) **Capacity constraints have not been adequately addressed in the design of previous CS projects.** Some interventions have been delayed due to the absence of adequate capacity. Previous CS reviews have also highlighted the need to enhance communication lines between Government agencies and address capacity constraints for project management.
- (c) **Improved infrastructure data is needed to inform project design and appraisal.** The lack of spatial data has restricted the country's compliance with the best practice for design and construction of physical infrastructure across many sectors. The efficacy and efficiency of projects have also been constrained due to significant delays in the implementation process that are attributable to poor project design due to issues in data availability.



#### **4. CARIBBEAN DEVELOPMENT BANK'S COUNTRY STRATEGY (2018-2022)**

##### **COUNTRY STRATEGY AND ITS PROPOSED CONTRIBUTION TO COUNTRY OUTCOMES**

4.01 The proposed CS seeks to maximise CDB's development impact through a strategically-focused programme that entrenches national priorities of The Bahamas, as well as CDB's mandate through TA, institutional strengthening, capacity building, and knowledge creation. Against this background and in the context of GOCB's MTDP, CDB's strategic posture was formulated in collaboration with GOCB and focuses exclusively on particular national priorities that are CDB niche areas, and which reflect CDB's comparative advantage and expertise. As such, the CS has programmed interventions in the areas of climate resilient infrastructure, EE and RE, and education services. Other potential intervention areas will be addressed by GOCB and other MDBs operating in the country. Most priorities articulated in the Draft NDP are broadly being addressed with varying levels of progress for each intervention area.

4.02 In addition to the national development priorities of GOCB, the formulation of this CS has included other key considerations: (a) increased high-level consultation with other key stakeholders; (b) ensuring the CS programme is based on increased country engagement; (c) assessment of the country's fiscal capabilities; and (d) priorities being addressed by development partners' activities in the country. To this end, the CS rests on three broad pillars: (i) environmental protection and climate resilient infrastructure; (ii) enhanced social services and human capital; and (iii) improved governance, competitiveness and productivity. Each CS pillar has development projects that embody specific sectoral interventions aimed at achieving particular development outcomes. These outcomes are displayed more granularly in the RMF which will guide the process of implementation. In addition to the interventions being proposed, The Bahamas could also potentially benefit from CDB's regional programmes<sup>4</sup>. The CS is consistent with CDB's Strategic Objectives of promoting broad-based economic growth and social development, as well as enhancing environmental sustainability. Gender equality, as well as energy security, citizen security and improved governance considerations, will be mainstreamed in CDB's operations.

##### **Pillar I: Environmental Protection and Infrastructure Enhancement**

###### **Expected Outcome 1: Improved Access to Quality Climate Resilient Infrastructure**

4.03 The Bahamas remains vulnerable to CC effects and other weather-related natural hazards. As such, CDB will support initiatives that build economic resilience to weather-related shocks so as to minimise post-disaster or recovery spending and maintain macroeconomic stability. CDB interventions will seek to blend CDB OCR resources with concessionary climate funds, given that all projects will incorporate CC resilience and DRM planning. These initiatives include:

- (a) Constructing climate resilient infrastructure (road network, ports, bridges and sea defenses), particularly for projects in the Family Islands for which CDB feasibility studies have been done.
- (b) Improving utility infrastructure (water) so as to increase public access to, and the efficiency of, water and sewerage services across the archipelago. This will also enhance public sector efficiency.

###### **Expected Outcome 2: Increased Energy Efficiency and Renewable Energy Options**

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<sup>4</sup> Regional programmes in CDB generally include: PPAM and PCM; the latest installment of the Enhanced Country Poverty Assessment (ECPA); TA for MSME development through CTCS; and the Regional Procurement Training initiative.

4.04 CDB will focus on interventions to increase EE and to support RE development in order to improve public sector efficiency, and enhance public access to sustainable energy options. Potential areas for CDB's assistance include:

- (a) Increased EE through street light retrofitting and a wider public sector EE programme, which would include conducting energy audits, training of key actors in the public sector, followed by EE upgrading of public sector facilities.
- (b) Increased RE by investment in mini/micro grids in selected Family Islands; preceded by Targeted Dialogue on Energy Policy (TDEP) to establish an implementation plan for RE in Family Islands

## **Pillar II: Inclusive Social Development**

### Expected Outcome 3: Enhanced Educational Outcomes

4.05 CDB will support an expanded supply of certified, skilled and employable labour for the improved livelihood of individuals, and enhanced productivity and economic competitiveness of The Bahamas. Interventions will complement existing activities and provide integrated solutions to institutionalise an effective and inclusive education and training system which promotes the learning needs of all. Accordingly, the following interventions, in order of priority, are identified for CDB support:

- (a) Enhanced employability of graduates by expanding access to: competency-based/industry-approved skills development for industry practitioners; uncertified workers; graduates of secondary schools; and out-of-school youth and adults. The support will include: strengthening the governance systems; upgrading facilities according to national/regional standards; capacity-building for instructors and managers; and implementing industry-supported skills development programmes to meet labour market and economic competitiveness needs.
- (b) Enabling environment for expanded access to quality ECD provision and appropriate early stimulation, including expanded support for, and improved monitoring of, ECD standards and training of service providers.
- (c) Teacher effectiveness with emphasis on professional development and an enhanced accountability framework for teaching and learning.

## **Pillar III: Improved Governance and Productivity**

### Expected Outcome 4: Improved Governance

4.06 CDB will focus on interventions to support reform in prioritised areas such as public policy capacity and project implementation capacity. Areas for CDB's assistance include:

- (a) Support to develop ECPA to improve the targeting of social programmes.
- (b) Support of the technical capacity in the public sector through CDB's PPAM and PCM training.

Expected Outcome 5: Increased Productivity, Competitiveness and Economic Diversification

4.07 CDB will focus on interventions to address skills shortages and to support access to finance for MSMEs, in order to improve productivity and competitiveness and to encourage economic diversification. Potential areas for CDB's assistance include:

- (a) Loans to address the skills shortages and the lack of access to credit for MSMEs.
- (b) Institutional strengthening and capacity building in relevant sectors, to improve business practice and to support export growth.

**INDICATIVE RESOURCE ENVELOPE**

4.08 The indicative resource envelope is estimated at \$106.5 mn (see Table 4.1). The size of the resource envelope is predicated on three main loan-financed intervention areas, as well as other intervention areas that will be covered by TA. The size of the envelope is appropriate, taking into consideration GOCB's fiscal capacity.

4.09 The indicative resource envelope in this CS is greater than the previous CSP's resource envelope, which was also characterised by lower-than-programmed utilisation of the resource envelope. Nonetheless, the following factors support the higher resource envelope programmed in this CS:

- (a) The climate-resilient infrastructure projects proposed in this CS, which constitutes the vast majority of the envelope, were programmed under the previous CSP; however, project preparatory studies and other factors caused significant delays. Such preparation has been ongoing and these projects are now at an advanced stage of preparation. Furthermore, climate risk has increased considerably and, as such, GOCB has a greater sense of urgency to implement such projects.
- (b) In comparison to previous country strategies, this CS coincides with an increased amount of climate funds available. As such, there are increased chances to blend CDB's OCR with concessionary funding such as the GCF for climate resilient infrastructure projects. This increases the attractiveness of CDB's interventions.
- (c) There is considerable interest in CDB's EE and RE projects. Given this factor, as well as the proposed impact of EE and RE on fiscal savings, this modality represents an important intervention.

4.10 To augment the present level of concessionary funding avenues, CDB will continue to seek flexible interventions tailored for The Bahamas that enhance attractiveness, cost efficiency and development impact over the strategy period. In addition to the options provided in this CS, technical capacity limitations will be addressed by providing in-country capacity building in PCM and PPAM for executing agencies and associated line ministries.

**RESULTS MONITORING**

4.11 The development results emanating from this CS will be monitored and assessed using a RMF. This is detailed in Appendix 4. The RMF ensures that the country's development objectives are aligned to each outcome and indicative intervention(s) of the CS. In this way, the sector constraint(s) to be addressed and the expected outcomes to which the proposed intervention(s) are expected to contribute can be

monitored using performance indicators. In the CS, the RMF is predicated on sector level outcomes and project-level RMFs will be developed at the project design stage for each project. Monitoring and coordination of the CS will be done by both CDB (coordinated by the Economics Department) and country authorities. CDB's engagement will be focused on promoting mutual accountability for results and fostering open and frequent policy dialogue with GOCB. CS implementation will be closely monitored. This will be enabled by country missions (where possible) and by the means of a mid-term review. The Mid-term Review will be undertaken in 2020 to assess progress towards meeting expected sector outcomes detailed in the RMF. The Mid-term Review will also assess utilisation of the resource envelope, with considerations for possible changes to the country's fiscal circumstances or national priorities. In 2022, an end-of-strategy review will also be undertaken to assess sector outcomes of the CS according to the RMF.

## **IMPLEMENTATION PLAN, ROLES AND RESPONSIBILITIES**

4.12 Implementation of the CS will be driven by CDB's operational framework, which defines the specific roles and responsibilities at both the country and Bank levels for approved projects. This requires that CS implementation is monitored through an annual country portfolio review mission and a CSP mid-term review. In addition to these tools, given the lessons that have been identified, this CS will look to increase country engagement through the following activities:

- (a) Conduct CS supervision missions (where possible) led by the CS Coordinator and Projects Department representatives. These missions will enable a closer engagement with executing agencies to troubleshoot and forestall implementation challenges. Consultations would be done with the line ministries/agencies responsible for specific projects, along with MOF.
- (b) All projects will be screened thoroughly for project management capacity. Capacity-building support will be provided for the execution of projects which, in some cases, may be augmented by acquiring external project management agencies.
- (c) The CS supervision missions will also ascertain the extent to which the CS continues to reflect priorities in The Bahamas, or might need to be adjusted to reflect new developments and priorities. This will serve as a pre-cursor to the Mid-term Review.

4.13 The regular CS supervision meetings are part of a broader mechanism to promote efficient strategy implementation and to enhance structured communication channels and timely reporting. This proposed CS has also incorporated a streamlined focus that will help in monitoring and achieving key development results that are consistent with The Bahamas' medium-term development objectives, as well as the country's interests in CDB's comparative advantage and expertise in particular niche areas. Table 4.2 outlines some new aspects of the CSP implementation plan and the responsible parties for each set of actions in the implementation process.

**TABLE 4.1: INDICATIVE SUPPORT PROGRAMME**

<b>Resource Envelope</b>	<b>USD (mn)</b>
<b>Increased Access to Quality Climate Resilient Infrastructure</b>	
Glass Window Bridge (North Eleuthera)	25.0
Family Islands Infrastructure (Roads and Bridges) Upgrade*	11.5
Water Supply and Sewerage Services (New Providence and Family Islands)	25.0
<b>Sub-total</b>	<b>61.5</b>
<b>Improved EE and Increased Use of RE</b>	
TA for TDEP	0.05
TA for energy auditing of public sector facilities, training, design of residential and commercial EE programme with implementation through Bahamas Power and Light Company Ltd.	0.45
Street-Lighting Retrofit	15.0
EE Retrofit Project	10.0
RE Mini-grid using Solar Photovoltaic Systems, and strengthening of distribution network in selected Family Islands	4.5
<b>Sub-total</b>	<b>30.0</b>
<b>Enhanced Human Capital and Reduced Skills Deficit</b>	
Competency-based Skills Development Programme	8.0
Provision of Quality ECD Programme	3.0
Development of the Information and Communication Technology (ICT)-enabled Professional Development Institute	4.0
<b>Subtotal</b>	<b>15.0</b>
<b>Improved Governance</b>	
PPAM and PCM Training	TBD
ECPA	TBD
Development of National PPP Policy	TBD
<b>Sub-total</b>	<b>TBD</b>
<b>Increased Productivity and Competitiveness</b>	
TA for the Bahamas Development Bank (BDB) – Assessing Access to Credit for MSMEs	TBD
<b>Sub-total</b>	<b>TBD</b>
<b>GRAND TOTAL</b>	<b>106.5</b>

\*Family Islands Infrastructure (Roads and Bridges) Upgrade includes: (a) \$6.5 mn Harbour Island Dock (North Eleuthera); (b) \$2.5 mn Landrail Point Dock (Crooked Island); and (c) \$2.5 mn Northwest Point/Betsy Bay Dock (Mayaguana).

**TABLE 4.2: ROLES AND RESPONSIBILITIES**

<b>Role</b>	<b>Responsible Staff Members</b>
Ensuring increased executive level country engagement	Senior Management Representative (Lead); Country Economist.
Ensuring timely monitoring of CS, which includes the usual protocols, as well as the proposed CS supervision meetings (where possible).	Country Economist (Lead); Projects Department Representative.
Continuous identification of capacity gaps so as to insert mitigating measures in the design of all projects.	Projects Department Representative (Lead); Country Economist.

## **COORDINATION WITH OTHER DEVELOPMENT PARTNERS**

4.14 It is important to maintain, but also identify, interventions that are particularly suited for partnerships where there are complementary specialties that induce successful implementation and meaningful development results. Currently, the Inter-American Development Bank (IDB) is the largest multilateral development institution operating in The Bahamas. The IDB strategy in The Bahamas for the period 2013-17 focused on transformative initiatives to ensure macroeconomic sustainability, social improvement, and increased resilience to the negative impacts of CC. Over the strategy period, this was achieved by targeting institutional areas in PFM, citizen security and justice, energy security, private sector development, and coastal risk management and CC adaptation.

4.15 Currently, there is no department or institution that coordinates development partners. IDB has recently approved a PFM enhancement programme for the Economic Development and Planning Unit of the Office of The Prime Minister, which should enhance project delivery and donor coordination. Appendix 5 summarises the current activities of development partners.

## 5. RISK ANALYSIS AND MITIGATION

5.01 For this Strategy, there are a number of risks which could derail the achievement of successful outcomes. These risks can be categorised under the headings of financial risks, operational risks, strategic and other risks. Various risk mitigation measures have been established to manage these risks within tolerable levels through a systematic framework of measurement, monitoring, and control procedures. The financial risks to CDB include the impact on its outlook and financial health from lower-than-expected disbursements. This can be caused by factors including: stronger-than-expected fiscal performance; and weak implementation capacity of GOCB, among others.

5.02 CDB's Office of Risk Management (ORM) has overall responsibility for the establishment and oversight of its risk management framework. ORM policies are established to identify, analyse and monitor the risks faced by CDB, to set appropriate risk limits and controls, and to ensure adherence to limits. Risk management policies and systems are regularly reviewed to reflect changes in the market conditions and CDB's activities. The primary risks encountered by CDB are as follows:

- (a) **Credit Risk** is the risk of financial loss to CDB if GOCB or counterparty to a financial instrument fails to meet its contractual obligations that arise principally from the loans and advances to customers and investments.
- (b) **Liquidity Risk** is the risk that GOCB may encounter difficulty in meeting obligations associated with its financial liabilities or responsibilities that are settled by cash or another financial asset. With respect to this Strategy, the concern would be largely in relation to the availability of counterpart contributions that would normally be required from the borrowers for the financing of projects by CDB. Prudent liquidity risk management requires GOCB to maintain sufficient cash and short-term marketable securities, and monitor future cash flows to ensure that adequate liquidity is maintained.
- (c) **Operational Risks** emanate from the execution of business activities and relate to the potential loss or damaged reputation from failed or inadequate internal processes, people and systems, or from external events. It is the risk arising from direct or indirect loss or damaged reputation attributable to fraud, human error, processes or technological internal controls.

5.03 Table 5.1 summarises these risks as they relate to The Bahamas, as well as CDB's proposed mitigation measures.

5.04 Other measures to help mitigate these risks include: (a) greater focus on CSP monitoring and country engagement; (b) greater focus on economic diversification in the CSP, especially with respect to the infrastructural enhancement of the Family Islands; (c) quick and effective responses to address the socio-economic effects of natural hazards or sharp economic downturns; (d) making the most of sources of concessional funding, such as CALC and GCF; and (e) directly addressing capacity constraints within the design of each project.

**TABLE 5.1: RISK ASSESSMENT AND MITIGATION MEASURES**

<b>Risk Type</b>	<b>Description of Risk</b>	<b>Mitigation Measures</b>
Credit	Macroeconomic shock or unforeseen circumstances impair GOCB's ability to meet its debt obligations and could pose threat to the degree to which the CSP may be implemented.	GOCB's debt-to-GDP ratio has increased from 59% in 2011 to 73% in 2017. To stem this tide, the new administration in 2017 targeted fiscal sustainability and outlined its intentions to conduct a host of fiscal and PFM reform measures, as well as committed to a reduction in the fiscal deficit to 3.5% of GDP in fiscal year (FY) 2018 (this is estimated to be on target), and set deficit targets of 2.3% and 1.1% of GDP for the two subsequent FYs. If this is adhered to, then this will aid in returning The Bahamas to a sustainable level of debt during the CS period. In addition, CDB's EE interventions in the public sector should induce fiscal savings that will aid in engendering fiscal sustainability. Therefore, credit risk is likely to be low. Given the economic vulnerabilities, however, CDB will continue to monitor and to advise GOCB on policies and practices that enhance growth and improve the public finances. The Mid-term Review will also be used to reassess the CSP, as well as the country's growth and fiscal prospects over the remainder of the CS period.
Liquidity	GOCB has insufficient liquidity to meet debt service obligations to CDB and to provide counterpart contributions.	This risk is low, but CDB will monitor throughout the CS period. Debt service as a share of Government revenue increased from 5.4% in 2015 to 9.9% in 2016, then fell to 8.2% in 2017, as debt was paid off. The single-digit levels of the past three years bode well in the context of managing liquidity risks. The Mid-term Review provides an opportunity to reassess the CSP, as well as The Bahamas' liquidity position.
Operational	Implementation capacity constraints.	To strengthen project implementation capacity, CDB will provide PPAM and PCM training, as well as support to improve public procurement. IDB is also funding a programme aimed at enhancing GOCB's delivery of projects in the Office of the Prime Minister, some of which are programmed to be executed in this CS.
Operational	CC and weather-related natural disasters.	GOCB has renewed its participation in CCRIF SPC, as well as continued its ongoing efforts to mainstream Disaster Risk and Recovery. The CSP places CC resilience frontally in all infrastructure interventions and will provide other support to reduce vulnerability to natural hazards or weather-related events. All interventions will be climate screened.



**GENDER MARKER ANALYSIS**

<b>Strategy Stage</b>	<b>Criteria</b>	<b>Score</b>
Analysis	Gender dialogue with ministries and authorities with national oversight, and relevant gender-related public/private sector organisations and Non-Governmental Organisations has taken place.	0.5
	Gender analysis has been conducted covering the socio-economic, sectoral and institutional context.	0.5
Design	Indicative interventions address all identified gender disparities and resources are allocated to them.	0.0
	or Indicative interventions address some of the identified gender disparities and resources are allocated to them.	
Implementation	Indicative interventions address weaknesses in the national gender machinery (i.e. national gender bureau, gender focal points) and resources are allocated to them.	0.5
	Indicative interventions address weaknesses in the gender mainstreaming capacities of other ministries and Government agencies (e.g. statistical offices) and resources are allocated to them.	0.5
M&E	Sex-disaggregated data are included in baselines, indicators and targets of the Results Framework. Or CSP indicates that data will be collected during implementation.	0.0
	At least one gender-responsive outcome indicator for each intervention addressing gender disparities is included in Results Framework.	
<p><b>Gender Mainstreamed (GM)::</b> if 3 to 4 points  <b>Marginally Mainstreamed (MM):</b> if 2 to 2.5 points.  <b>NO:</b> if projects score 0 to 1.5; if NO please give a justification why.</p>		

**MM:** the CSP has taken some gender considerations in the analysis of the strategy. However, the CS has limited potential to directly contribute to gender equality. Gaps and weakness in gender mainstreaming will be addressed in the formulation and implementation of interventions under the strategy through capacity interventions designed to promote and enhance gender equality outcomes.

## SOCIAL VULNERABILITY MATRIX

<b>Name of Institution</b>	<b>Beneficiaries</b>	<b>Types of Risks/Vulnerabilities Faced</b>	<b>Existing Policies and Programmes</b>	<b>Partners</b>	<b>Recommendations for Mitigation</b>
GOCB and the Family Islands	Children under 18 years.	<ul style="list-style-type: none"> <li>i. Limited access to ECD services.</li> <li>ii. Inefficiency in basic education leading to low secondary school graduation rates.</li> <li>iii. Sub-optimal outcomes at the end of the Basic School cycle.</li> <li>iv. Limited access to training resulting in a skills mismatch in the labour force.</li> <li>v. Limited quality and reach to special needs and at risks learners.</li> </ul>	<ul style="list-style-type: none"> <li>i. Shared Vision for Education 2040.</li> <li>ii. Transitional Alternative Programme for Students.</li> <li>iii. BTVI.</li> <li>iv. UOB.</li> <li>v. BAMSI.</li> </ul>	<ul style="list-style-type: none"> <li>i. Ministry of Education.</li> <li>ii. CDB.</li> </ul>	<ul style="list-style-type: none"> <li>i. Expanding ECD services for universal access to quality pre-primary, particularly for the 0-4 age cohort.</li> <li>ii. Increasing graduation outcomes through programmes that strengthen student outcome accountability and improve teacher quality and effectiveness.</li> <li>iii. Addressing the skills development needs of secondary school/out-of-school/vulnerable/at-risk youth/special needs population groups.</li> </ul>
	<b>Young Persons (ages 15 to 35 years)</b>	<ul style="list-style-type: none"> <li>i. Unemployment.</li> <li>ii. Poverty.</li> <li>iii. Limited certification and access to formal training.</li> <li>iv. Crime and Violence.</li> <li>v. Disenfranchisement.</li> <li>vi. Exclusion from credit programmes.</li> </ul>	<ul style="list-style-type: none"> <li>i. National Youth Policy of The Bahamas.</li> <li>ii. Draft NDP.</li> <li>iii. Anti-crime legislation.</li> <li>iv. Transitional Alternative Programme for Students.</li> <li>v. Inner City Renewal Programme.</li> <li>vi. BTVI.</li> <li>vii. UOB.</li> <li>viii. BAMSI.</li> </ul>	<ul style="list-style-type: none"> <li>i. Ministry of Youth Sports and Culture.</li> <li>ii. RBPF.</li> <li>iii. Ministry of Social Services and Urban Development (MSSUD).</li> <li>iv. IDB.</li> </ul>	<ul style="list-style-type: none"> <li>i. Implementation of increased opportunities for access to certified training.</li> <li>ii. Implementation of National Youth Policy.</li> <li>iii. Operationalisation of early-detection programmes targeting at-risk youth.</li> </ul>
	<b>Women</b>	<ul style="list-style-type: none"> <li>i. Unemployment/ Underemployment.</li> <li>ii. GBV.</li> </ul>	<ul style="list-style-type: none"> <li>i. Strategic Plan to Address GBV.</li> <li>ii. Draft NDP.</li> </ul>	<ul style="list-style-type: none"> <li>MSSUD.</li> </ul>	<ul style="list-style-type: none"> <li>i. Implementation of initiatives to address GBV.</li> <li>ii. Implementation of increased opportunities for access to certified training and sustainable income.</li> <li>iii. Enhance capacity of BDB to deliver services to female entrepreneurs.</li> </ul>

**CLIMATE AND DISASTER RISK SCREENING**

**Basic Project/Programme Information**

<b>Project Title:</b> Country Strategy Paper
<b>Country:</b> The Bahamas and the Family Islands
<b>Sector:</b> Multi-Sector
<b>Country Objectives and Brief Description:</b>  To identify the overall risk to priority sectors identified as critical to meeting the country’s CSP goals and priorities based on climate and geophysical hazards and sector potential impact, but adjusted for the sector’s institutional readiness and for the challenges and opportunities presented by the larger development context.
<b>Project Cost:</b> N/A

**Summary of Climate and Disaster Risk Screening**

<p><b>A. Context</b></p> <p>The Bahamas comprise an archipelago of over 700 islands and over 2,000 islets or rocks and cays. While these islets and cays spread over 260,000 km<sup>2</sup> of the Atlantic Ocean, their total land area is approximately 13,940 km<sup>2</sup>. The islands of the Bahamas have low relief and generally flat terrain, with the highest point located on Cat Island, rising to only 63 metres (206 feet) above sea level.</p> <p>The islands are coral formations made entirely of calcium carbonate. This partially accounts for the absence of rivers, however, there are a number of tidal creeks. The land is covered with extensive wetlands and mangrove swamp/forests and the coastline extends for approximately 3,542 km. The coastal and marine waters of the Bahamas are home to 5% of the world’s coral, as well as the world’s third longest barrier reef. Other coastal habitats found in the Bahamas are seagrass beds and mangroves which act as nurseries for a wide range of coastal and marine species.</p> <p>The Bahamian population in 2016 was estimated at 391,234, with a population growth rate of 1% per annum (WB). Of the 700 islands in the Bahamas, no more than 30 are inhabited. The two major population centres are: the capital, Nassau, located on New Providence Island; and Freeport, located on Grand Bahama Island. Over 80% of the population are distributed between these two islands with the majority of settlements located on or near to the coast.</p> <p><b>B. Sectors</b></p> <p><u>Energy</u></p> <p>The Bahamas islands are served by diesel-generating stations, which together consume over 4,000 gallons of diesel per day. The electricity sector is highly vulnerable to effects of CC impacts, particularly strong winds which cause widespread disruption to energy production, transmission and distribution (T&amp;D) systems. This was evident in Hurricane Joaquin, which caused severe damage to overhead power lines, utility poles and transformers, and caused serious damage to power stations in Crooked Island and San Salvador. The Government is aware of its strong dependence on fossil fuels, and is taking steps for greater use of RE sources, such as wind and solar. In this regard, the Government has defined the policy framework for a low carbon development plan through the Energy Policy, which sets out a national target to achieve a minimum of 30% renewable in the energy mix by 2032. However, in seeking to make the transition to RE, concerted efforts are needed to strengthen the resilience of the RE generation systems based on the experience of these systems in the 2017 Hurricane Season. This resulted in the photovoltaic systems in Puerto Rico, The United States Virgin Islands, and Barbuda suffering major damage or failure with airborne solar modules, broken equipment, and twisted metal racking.</p>
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Education

The Bahamas' Education Sector is highly vulnerable to the potential effects of CC. Schools throughout the Bahamas and the Family Islands are exposed to multiple hazards, including extreme precipitation, flooding, SLR, storm surge, and strong winds. The country has a modern building code, which needs updating in order to make school design and construction safer, especially in light of projections for intensification of CC risks.

Transport

Most of the Bahamas' transport infrastructure is located in coastal areas and face elevated CC risks from SLR and increased frequency of extreme events. This vulnerability has been exacerbated given that a large proportion of the country has an elevation of less than 2 metres, poorly designed infrastructure, and the increasing threat of coastal erosion. According to *Caribsave (2012)*, a 1 metre SLR will put 36% of the major tourism properties at risk, along with 38% of airport lands, 14% of road networks, and 90% of seaport lands.

Water

The Bahamas is highly dependent on rainfall as the sole source of freshwater in the country. Freshwater is scarce, at 66 cubic metres per capita, per year, which ranks The Bahamas 177 out of 180 countries in terms of water availability. Water supply is provided by Government and privately-owned wells, as well as local reverse osmosis plants. Although availability and dispersal of water resources present many challenges, because of the geographic spread of The Bahamas, data suggests there is currently no net shortage of freshwater resources.

The shallow freshwater aquifer lenses in The Bahamas are highly vulnerable to numerous factors, including: contamination from anthropogenic pollution (e.g. septic tanks, leachates from landfills, release of industrial waste); storm surges; and flooding. An increase in SLR, along with indiscriminate extraction of freshwater from the well fields, will put this already threatened resource at even higher risk as the fresh water lens rests on top of the seawater within the porous rocks. Rising sea levels will bring the fresh water lens closer to the surface of the land, which is expected to expose the freshwater resources to increased evapo-transpiration, with the added risk of salinisation from the increased natural withdrawal. Inundation of land containing freshwater resources by storm surges associated with hurricanes and with non-tropical events, will impact water quality and lead to the further damage and loss of freshwater resources and lands used for freshwater extraction purposes.

<b>C. Exposure<sup>1</sup> : Brief description of Hazards likely to affect the CSP<sup>2</sup></b>	
<b>Hazard</b>	<b>Description<sup>3</sup></b>
<p>The hazards listed below are the significant ones for the country.</p> <ul style="list-style-type: none"> <li>(a) Extreme Temperature.</li> <li>(b) Extreme Precipitation and Flooding.</li> <li>(c) Drought.</li> <li>(d) SLR.</li> <li>(e) Storm Surge.</li> <li>(f) Strong Winds.</li> </ul>	<p>Detailed climate modelling projections for the Bahamas predict: an increase in average atmospheric temperature; reduced average annual rainfall; increased Sea Surface Temperatures (SST); and the potential for an increase in the intensity of tropical storms (CARIBSAVE CC Risk Profile for The Bahamas, 2012). More precisely, the projections indicate that:</p> <ul style="list-style-type: none"> <li>(a) Warming will be more prevalent as the years progress +0.8 to 2.3 °C by 2060 and +1.2-3.5°C by 2090.</li> <li>(b) Decreases in rainfall for The Bahamas, mainly due to decreases in rainfall during the March-May and June-August periods.</li> <li>(c) SLR in the Caribbean of between 0.13 and 0.56 metres by 2090.</li> <li>(d) More intense storms and cyclones are likely to occur with associated storm surges and flooding, especially in the northern islands.</li> <li>(e) Tropical cyclones and storms are likely to increase in intensity owing to a warmer climate and higher SST.</li> </ul>
<b>D. Sensitivity<sup>4</sup> of Sectors (if known) or Overall Project</b>	
<b>Key Sectors in CSP</b>	<b>Sensitivity to Climate Change and Natural Hazards</b>
<ul style="list-style-type: none"> <li>(a) Energy.</li> <li>(b) Education.</li> <li>(c) Water.</li> <li>(d) Transport.</li> </ul>	<p>The water and transport sectors were assessed to have a high sensitivity to climate variability and CC. The energy and the education sectors, on the other hand, were assessed as being moderately sensitive to the potential impacts of climate variability and CC. For the water sector, the key CC variables of concern are extreme temperatures, extreme precipitation, and flooding, SLR, storm surges and strong winds. In this regard, there is an urgent need to build the resilience of water supply and sewerage services in New Providence and Family Islands, and sea defence facilities in Elbow Cay (Abaco, Landrail Point Dock (Crooked Island), and Northwest Point/Betsey Bay Dock (Mayaguana).</p> <p>The key CC variables impacting the transport sector are SLR, storm surge and strong winds, with roads in New Providence being particularly impacted.</p>

<sup>1</sup> The presence of people, livelihoods, species or ecosystems, environmental services and resources, infrastructure, or economic, social, or cultural assets in places that could be adversely affected by a hazard.

<sup>2</sup> A physical process or event (hydro-meteorological or oceanographic variables or phenomena) that can harm human health, livelihoods, or natural resources.

<sup>3</sup> Climate.

<sup>4</sup> The degree to which a system, asset, or species may be affected, either adversely or beneficially, when exposed to climate variability or change, or geophysical hazards.

**E. Adaptive Capacity**

Overall the priority sectors in the CSP have a moderate adaptive capacity to potential impacts of CC. While several policies and strategies have been developed, none of the sectors have taken a comprehensive approach to incorporating CC considerations into their daily practices. Numerous pieces of legislation and national policies have been developed, but most remain in draft form, are outdated, or are being implemented in a piecemeal manner.

**F. Climate and Disaster Risk Assessment Summary**

The Bahamas is acutely vulnerable to impacts of CC. SLR will exacerbate storm surges, coastal erosion and saltwater intrusion of aquifers. Adaptive capacity for the sectors was assessed to be at a moderate level. This signals the need for interventions to further improve the resilience of the sectors. In order to increase the resilience of these sectors, more emphasis is needed on:

- (a) Mainstreaming CC and disaster risk reduction into the sectors by undertaking climate vulnerability assessments and developing climate resilient investment master plans.
- (b) Reassessing and upgrading critical infrastructure namely transportation, energy, water, and wastewater. Concerning transportation infrastructure, building resilience is very important as relocation of assets is, in most cases, not an option.
- (c) Retrofitting existing schools, and designing new ones to adequately meet multi-hazard criteria.
- (d) Building resilience into energy systems by considering options, including by placing critical segments of the T&D infrastructure below ground.

**G. Overall Risk Assessment Rating (None/Low/Moderate/High): Moderate.**

## RESULTS MONITORING FRAMEWORK

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR I: Environmental Protection and Infrastructure Enhancement</b>					
Promoting Climate Resilient Infrastructure	<ul style="list-style-type: none"> <li>i. Vulnerability of infrastructure to climate-related natural hazards.</li> <li>ii. Inadequate and aged Infrastructure.</li> <li>iii. High cost of development of infrastructure in the Family Islands.</li> <li>iv. Inadequate coverage of potable water in Family Islands and new developments in New Providence.</li> <li>v. Limited geospatial data to make informed decisions.</li> <li>vi. Limited personnel with training in geographical information systems.</li> <li>vii. Absence of a master plan for the management of the water sector, including governance and water supply and sewerage services.</li> </ul>	<ul style="list-style-type: none"> <li>i. Improved access for male and female-headed households to quality climate resilient infrastructure.</li> <li>ii. Strengthened environmental management.</li> <li>iii. Environmentally-sustainable infrastructure.</li> </ul>	<p><b>Targets: 2021</b></p> <ul style="list-style-type: none"> <li>i. 50% increased access to pipe-borne water.</li> <li>ii. 30% increased access to climate resilient road infrastructure.</li> <li>iii. Improved geospatial planning capabilities for all projects.</li> <li>iv. Number of successful project proposals developed for submission to GCF. <i>Baseline (2017): 0.</i> <i>Target (2021): 2.</i></li> <li>v. Percentage of persons certified in physical planning and DRM training. <i>Baseline (2017): 2%.</i> <i>Target (2021): 80%.</i></li> <li>vi. Percentage of water-related projects developed according to the Water Master Plan. <i>Baseline (2017): 0.</i> <i>Target (2021): 50%.</i></li> <li>vii. Percentage of water-related projects using key recommendations from the Water Tariff Study. <i>Baseline (2017): 0.</i> <i>Target (2021): 1.</i></li> </ul>	<p>Provide financing to support the implementation of:</p> <ul style="list-style-type: none"> <li>i. Glass Window Bridge Project (North Eleuthera).</li> <li>ii. Family Islands Infrastructure (Roads and Bridges) Upgrade.</li> <li>iii. Water Supply and Sewerage Services Project with GCF-blended funding (New Providence and Family Islands).</li> <li>iv. Geomatics Capacity Enhancement Project.</li> <li>v. Support for capacity building to access climate financing.</li> <li>vi. Implementation of geomatics capacity enhancement for physical planning and DRM.</li> <li>vii. Support for assessing water resources, developing a water resources master plan, a water tariff study, and building resilience of water infrastructure.</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>i. Inadequate implementation capacity.</li> <li>ii. Sustained weakness with respect to inter-sector coordination.</li> <li>iii. Implementation capacity constraints.</li> <li>iv. Lack of country ownership to support sector outcomes and lack of enforcement of legislation and policies.</li> </ul> <p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>i. Provide additional training opportunities in Project Management, Procurement, M&amp;E.</li> <li>ii. CDB to maintain regular dialogue with GOCB offering policy advice and ensuring timely identification of issues.</li> <li>iii. Additionally, CDB will use governance training measures to improve communication between ministries.</li> </ul>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR I: Environmental Protection and Infrastructure Enhancement</b>					
Increased EE and RE Options	<ul style="list-style-type: none"> <li>i. Weak human and institutional capacity in government to manage and implement EE and RE projects.</li> <li>ii. Low share of RE in electricity supply mix.</li> <li>iii. Low levels of EE across all sectors.</li> </ul>	<ul style="list-style-type: none"> <li>i. Strengthened capacity and improved communication within GOCB for implementing RE and EE projects.</li> <li>ii. Increased contribution of RE to electricity supply mix.</li> <li>iii. Improved EE in public sector and private sector facilities.</li> <li>iv. Strengthened and improved resilience of the grid in selected Family Islands.</li> </ul>	<ul style="list-style-type: none"> <li>i. EE programmes developed for the public and private sectors. <i>Baseline (2018): 0.</i> <i>Target (2022): 2.</i></li> <li>ii. Contribution of RE to energy supply mix. <i>Baseline (2018): 1%.</i> <i>Target (2022): &gt; 5%.</i></li> <li>iii. Reduction in energy intensity in public sector. <i>Baseline (2018): 0%.</i> <i>Target (2022): &gt;5%.</i></li> <li>iv. Plan for implementation of EE and RE in the Family Islands <i>Baseline (2018): 0.</i> <i>Target (2022): 1.</i></li> </ul>	<ul style="list-style-type: none"> <li>i. TA for capacity support – convening of TDEP for elaboration of the Sustainable Energy Plan for the Family Island – with focus on increased resilience.</li> <li>ii. TA for capacity support in conducting energy audits/RE assessments and development of a public sector EE programme.</li> <li>iii. Capital projects for RE/EE in the public sector, including retrofit of streetlights using light-emitting diode.</li> <li>iv. Capital projects for RE and supporting micro/mini-grids in the Family Island, and strengthening of the grid.</li> </ul>	<p><b>Risk</b></p> <p>Inadequate country ownership to support sector outcomes.</p> <p><b>Mitigation Measure</b></p> <p>Continuous and timely CDB staff engagement.</p>



Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR II: Inclusive Social Development</b>					
Enhanced human capital and reduced skills deficit.	<ul style="list-style-type: none"> <li>i. Limited access to demand-driven, technology-enabled and quality technical and vocational education and training (TVET) programmes.</li> <li>ii. Inadequate provision of high quality and inclusive ECD services, particularly for the 0-2 age cohort.</li> <li>iii. Sub-optimal teacher effectiveness to cater to the learning needs of all students.</li> </ul>	<ul style="list-style-type: none"> <li>i. An expanded supply of certified, skilled and employable male and female labour.</li> <li>ii. Increased share of children receiving high-quality early childhood education.</li> </ul>	<ul style="list-style-type: none"> <li>i. 80% of male and female TVET participants graduated.</li> <li>ii. 80% of employers satisfied with quality of male and female graduates of skills development programmes.</li> <li>iii. Net enrolment rate in pre-primary increased.  <i>Baseline (2017):35%. Target (2023): 50% (Source: Ministry of Education, Science and Technology [MOEST]).</i></li> <li>iv. Graduation rate for secondary school male and female students increased.  <i>Baseline (2016): 50%. Target (2023): 65%. (Source: MOEST).</i></li> </ul>	<ul style="list-style-type: none"> <li>i. Project to expand access to competency-based/industry-approved and ICT-enabled skills training for industry practitioners, uncertified workers, graduates of secondary schools, and out-of-school youth and adults.</li> <li>ii. Project to support expanded access to quality ECD provision and appropriate early stimulation, including improved monitoring of ECD standards and training of service providers.</li> <li>iii. Project to support teacher effectiveness with emphasis on maximising technology integration, professional development, and an enhanced accountability framework for teaching and learning.</li> </ul>	<p><b>Main Risks</b></p> <ul style="list-style-type: none"> <li>i. Implementation capacity constraints.</li> <li>ii. Timely pre-appraisal inputs such as designs for infrastructure works.</li> <li>iii. Sub-optimal buy-in by key stakeholders including industry partners.</li> </ul> <p><b>Mitigation Measures</b></p> <ul style="list-style-type: none"> <li>i. Deliberate measures to institutionalise the engagement of industry partners in the coordinating mechanisms for skills training.</li> <li>ii. Active supervision of project/programme activities by CDB staff.</li> <li>iii. CDB will maintain dialogue with the country authorities and finalise arrangements for pre-appraisal inputs such as financing preparation of designs.</li> </ul>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR III: Improved Governance and Productivity</b>					
Improved Governance	Capacity gaps in public policy development, project management, and M&E.	Improved technical capacity to develop national policies, improved procurement regulations and procurement capacity, and improved technical skills regarding project management and implementation.	30% of national and/or sector policies developed with M&E systems in place.	Training in PPAM, PCM, and M&E.	<p><b><u>Main Risk</u></b></p> <p>Implementation capacity constraints.</p> <p><b><u>Mitigation Measure</u></b></p> <p>Continuous and timely engagement by CDB staff to assess country capacity needs and identify support needed.</p>
Increased Productivity, Competitiveness and Economic Diversification.	<ul style="list-style-type: none"> <li>i. Insufficient access to finance by MSMEs.</li> <li>ii. Insufficient technical capacity of MSMEs, including key business skills.</li> </ul>	<ul style="list-style-type: none"> <li>i. Enhanced capacity of BDB to deliver services to targeted MSMEs.</li> <li>ii. Improved capacity of Business Support Organisations (BSOs) to deliver services to MSMEs.</li> </ul>	<ul style="list-style-type: none"> <li>i. Increased number of MSMEs receiving TA from BSOs.</li> </ul> <p><i>Baseline (2016): 0%</i> <i>Target (2021): 20%</i></p> <ul style="list-style-type: none"> <li>ii. Increased BDB capacity to address MSME financing issue.</li> </ul>	<ul style="list-style-type: none"> <li>i. TA to BDB.</li> <li>ii. MSME sector training in key business skills, including procurement. TA to build capacity of BSOs.</li> </ul>	<p><b><u>Main Risks:</u></b></p> <ul style="list-style-type: none"> <li>i. Implementation capacity constraints.</li> <li>ii. Low level of up-take for CTCS' MSME training programme courses by the MSME sector.</li> </ul> <p><b><u>Mitigation Measures:</u></b></p> <ul style="list-style-type: none"> <li>i. Active supervision of project/programme activities by CDB staff.</li> <li>ii. CDB will work with GOCB and the Chamber of Commerce to raise awareness of CTCS training and support.</li> </ul>

**DEVELOPMENT PARTNERS' CURRENT ACTIVITIES**

<b>Area</b>	<b>CDB</b>	<b>IDB</b>
Agriculture		
Energy		Energy Learning Exchange Programme (0.02c).
Tourism		Support to climate resilient tourism in San Salvador (0.36i).
Education		Institutional reforms in ECD.  National framework to align TVET and secondary and post-secondary levels.
Environment and Coastal Protection		Vulnerability assessment.  Contingent Loan for Natural Disaster Emergencies (100p).  Climate Resilient Coastal Mangement and Infrastructure Programme (35a).
Health		
Macroeconomic Management		Fiscal reforms.  Exchange for strengthening of Caribbean banking system (0.01c).
Private Sector Development/Trade		Digital strengthening of Government to strengthen competitiveness (30p).  Support for economic diversification (0.5p).  Community-based conch management (0.5i).  Expanding Access To Finance For SMEs in The Bahamas through Factoring Combined with a Digital Platform (1a).
Public Sector Modernisation/Governance	PPAM/PPM Training	Learning Exchange in Digital Identification and Public Sector Transformation (0.02p).
Social Protection/Poverty Reduction		Social safety nets/Social protection reforms. Skills for current and future jobs (25a). Support for the Implementation of the Impact Evaluation of Apprenticeship Programme and Blockchain pre-Pilot (0.2p).
Transportation		Airport infrastructure (35a).
Water and Sanitation	Water Project	Smart Water Management Pilot (0.25i).

European Union (EU): Bahamas does not qualify for European Development Fund 11 bilateral funds. However, as part of the group of African Caribbean and Pacific countries signatories of the Cotonou Agreement, Bahamas is eligible to draw on EU support in the context of the Caribbean Investment Facility, the regional and the thematic programmes.

WB: No programme of support.

United Nations Development Programme: Support for small environmental protection projects through the Global Environmental Facility.