

Caribbean Region Quarterly Bulletin



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Institutions and Trust: A Caribbean Perspective

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Institutions and Trust

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Dear Reader,

Welcome to the March 2018 *Caribbean Region Quarterly Bulletin on institutions and trust*. Policymakers and academics agree that institutional quality plays an important role in determining the patterns of prosperity around the world. This issue of the *Quarterly Bulletin* explores four types of institutions for six individual Caribbean countries. Much of these results will be expanded in an upcoming publication on the state of institutions in the region.

Special Regional Report: Institutions in the Caribbean

Countries that have set themselves on a course of strengthening the quality of their institutions to provide a minimum of certainty to economic agents have been able to alter their development paths. Less successful countries are those where these institutions are absent or have not been properly developed. A lack of institutions, or having institutions that are ill-designed, has resulted in more vulnerable economies with reduced flexibility to adapt and confront changing and unexpected circumstances.

The Caribbean Country Department (CCB) is currently analyzing institutional quality and design in the countries under its purview. This *Quarterly Bulletin* provides some initial findings about the countries that constitute the Caribbean Country Department: The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.



The Bahamas

Growth in The Bahamas for 2017 is estimated at 1.6 percent, with a further improvement to 2.5 percent expected in 2018. The opening of the Baha Mar mega resort, and construction activity related to the US\$4.2 billion project, have been growth-positive for the archipelago, as have been improved foreign direct investment, rebuilding activities following Hurricanes Matthew and Irma, and continued robust economic returns in the United States. The tourism sector experienced disruptions from cruise line diversions and flight cancellations following the heightened storm activity in the final quarter of 2016 and early 2017. This affected the full-year arrival figures: preliminary estimates show total tourist arrivals up to year-end 2017 were down by 2.1 percent, including a 1.5 percent decline in cruise arrivals and a 4 percent decline in air arrivals.

Increases in wages and salaries, interest payments, and subsidies and transfers to state-owned agencies, along with post-hurricane reconstruction and the related tax relief and disruptions to revenue collection systems, all contributed to widening deficit for the fiscal period ending 2016/2017. The central government's debt-to-GDP ratio rose to roughly 57 percent in FY2017, an increase of approximately 4.5 percent over 2016. Through rationalization, the government of The Bahamas aims to achieve a 10 percent reduction of public sector expenditure in the coming fiscal year. Preliminary results for the first five months of the 2017/2018 fiscal period show the fiscal deficit declining, as total receipts improved after stronger tax collection efforts and overall expenditure fell as hurricane-related spending declined.

The government of The Bahamas announced the relaxation of exchange controls on capital transactions. This allows Bahamian-owned firms to maintain deposits up to \$100,000 in foreign currency on capital (investment) and current (trade) accounts within the local banking sector. Cheaper oil prices and re-insurance payments related to Hurricanes Matthew and Irma contributed to the decline in the current account deficit to 10 percent of GDP in 2016, slightly better than the previous period. Liquidity and external reserves levels have been boosted by proceeds from the government's recent bond issue. The country's BB+/B long- and short-term sovereign credit ratings were confirmed by Standards and Poor's and the projected outlook was stable.

Unemployment levels rose marginally to 10.1 percent in November 2017 from the May 2017 level of 9.9 percent. However, this is still lower than the level of 11.6 percent in the previous period.

Barbados

Elections are constitutionally due in the first half of 2018. The current Parliament of Barbados was dissolved on March 6, 2018. Constitutionally, elections are to be called within 90 days of the dissolution of Parliament. During the last general elections held in February 2013, the Democratic Labour Party (DLP) won 16 seats, while the Barbados Labour Party (BLP) won 14.

The economy grew by 1 percent in 2017 compared to growth of 1.8 percent in 2016. Tourism value-added increased by 1.2 percent, while activity in the construction sector grew by 6.3 percent. Long-stay arrivals were robust in the first half of 2017 but slowed after September, which limited the overall long-stay increase to 4.4 percent. At the same time, the average length of stay of long-stay visitors was down by 5.6 percent. The inflation rate continued to rise to 4 percent at the end of October 2017 compared to 0.4 percent recorded a year earlier. A pick-up in international oil prices and higher indirect taxes are the main factors responsible for the increasing prices.

The government's fiscal position improved but remains a concern. The fiscal deficit was reduced by 33 percent to US\$199.8 million after the first nine months of FY2017/2018 (April–December). This outcome was bolstered by a 12 percent increase in total revenue led primarily by increased collections in excise taxes, the value-added tax and the National Social Responsibility Levy. On the expenditure side, current expenditures grew by 2.6 percent when compared with the previous year. However, capital expenditure fell by 29 percent. Gross central government debt remained elevated and stood at an estimated 145.9 percent of GDP at the end of December 2017.

International reserves further declined to US\$205 million. Reserves fell to 6.6 weeks of imports at the end of December 2017 compared to 10.5 weeks a year earlier. The servicing of foreign debt obligations and weak private sector capital flows were among the main causes of the fall in international reserves.

The Central Bank of Barbados is expecting economic growth to range between 0.5 and 1 percent in 2018, while the International Monetary Fund forecasts 0.5 percent. The government is counting on strong performances in tourism and construction to offset the dampening effects on weaker internal demand expected from the imposition of additional fiscal consolidation measures. Downside risks remain given the level of international reserves, the threat of higher global oil prices, and limited access to new financing.



Guyana

Sectoral growth has been uneven. In 2017, the Guyanese economy grew in real terms by 2.9 percent, lower than the 3.3 percent in 2016, but higher than many Caribbean neighbors. However, the rate of growth varies widely across sectors. Sectors showing positive growth were rice (12.7 percent), livestock (4.4 percent), fisheries (1 percent), manufacturing (3.6 percent), construction (13.5 percent), and services (3.1 percent). Sectors that contracted during 2017 were mining and quarrying (-1.9 percent) and, within agriculture, forestry (-7.2 percent) and sugar (-17.2 percent). During this period inflation remained stable at a moderate 2 percent.

The fiscal stance continues to be procyclical. In the last decade and a half, Guyana has run an expansionary fiscal policy, incurring deficits before grants both in years when export commodity prices were high and when they faltered. The largest categories of current expenditures have tended to be transfers and purchases of goods and services. Successive administrations have pursued ambitious capital expenditure programs, but variances between planned and actual expenditures have been high, indicating absorption issues.

International reserves remain above prudent levels. At the end of December 2017, gross international reserves stood at US\$616.8 million, equivalent to 3.4 months of imports of goods and services.

The downward trajectory of Guyana's debt continues. At the end of December 2017, the debt-to-GDP ratio stood at 45.2 percent, as compared to 45.7 percent in 2016. Guyana's debt-to-GDP ratio remains one of the lowest in the Caribbean. In addition, the ratio of public debt-to-GDP has also been on the decline since 2006.

Deteriorating asset quality is triggering a slowing of credit expansion in financial markets. At the peak of the commodity boom in 2011, the ratio of non-performing loans (NPLs) to overall loans was 5.4 percent, close to the international benchmark of less than 5 percent. But by September 2017, NPLs were 13.75 percent. In response, commercial banks have decelerated the expansion of private credit, increased lending to the public sector, and continued to invest heavily in Treasury bills. In 2017, credit to the private sector grew by 2.1 percent. The banking sector, while well capitalized with a capital adequacy ratio of 26.6 percent, seems vulnerable to loan concentration and exposure to top borrowers. Also, the ratio of gross loans to gross deposits stood at 59.24 percent as of September 2017. Better provisioning for NPLs and better screening of the financial system are needed.

Jamaica

Economic stabilization continues to take root in Jamaica. Implementation of the Stand-by Agreement (SBA) with the International Monetary Fund (IMF) remains strong, representing a continuation of prudent policies initiated under the predecessor IMF-supported program in place since 2013. While progress with debt reduction, fiscal consolidation, and the accumulation of external buffers has met or exceeded commitments under the current IMF arrangement, objectives related to reducing the large public-sector wage bill remain a challenge.

Economic recovery is under way, with GDP growth of 1.6 percent expected during FY2017/2018. Developments in agriculture, tourism, and the business process outsourcing sectors have supported the acceleration. Inflation remained moderate at 4.1 percent for FY2016/2017, well within the target range of 4.5 to 6.5 percent. Moderate inflation has been supported by prudent fiscal and monetary policies, as well as by improving expectations regarding the course and objectives of monetary and exchange rate policies driven by the shift to inflation-targeting.

International reserves are considered adequate and continue to increase. As of the end of February 2018, gross international reserves amounted to US\$3.8 billion, equivalent to 23 weeks of imports. With the central bank's shift towards a focus on price stability in line with inflation-targeting, the level of official intervention should remain moderate, helping to accelerate reserve accumulation and the maintenance of prudent external buffers.

Jamaica's public debt levels fell at a faster-than-expected pace over the past year, owing to fiscal prudence and lower financing costs. Under the SBA definition, the public-debt-to-GDP ratio fell to 112 percent at end-March 2017 from over 140 percent at end-March 2014. While this level of indebtedness remains high by international standards, the pace of debt reduction has been impressive, and simulations suggest that if the authorities maintain their commitment to prudent policies, they should achieve the Fiscal Responsibility Law's debt targets of less than 60 percent of GDP by 2026.

Jamaica has regained access to international capital markets, with lower-than-expected yields and strong investor demand. The authorities re-opened two bonds in August 2017, resulting in the country's lowest-ever yields for 10- and 30-year securities (5 percent and 6.45 percent, respectively). The transaction raised US\$869 million. This strong market demand suggests that investors have recognized the authorities' extraordinary efforts and success in reducing debt and placing policies on a sustainable footing.



Suriname

Economic growth is expected to return in 2018. Economic recovery is expected over the medium term, with real GDP growth of 0.8 percent in 2018. The IMF estimates real GDP growth to average 1.7 percent annually for the period 2019–2022. This outlook is largely predicated on a recovery of the mining sector, which would support growth through the medium term.

Inflationary pressures have decelerated. After spiking to 79.2 percent in October 2016, year-over-year inflation declined from 48.7 percent in January 2017 to 9.2 percent in December 2017. The spike in inflation was largely attributed to higher costs for utilities and the exchange rate depreciation. The exchange rate has since stabilized at roughly US\$1/\$7.51 Surinamese Dollar (SRD).

Suriname recorded a primary fiscal deficit in the first eight months of 2017. The primary fiscal deficit for January–August 2017 was estimated at SRD1,001 million, equivalent to 3.8 percent of 2016 GDP. That is slightly higher than the estimate of SRD658 million or 2.5 percent of 2016 GDP for the same period in 2016. Over the same periods, the overall deficit worsened from 3.2 percent of GDP in 2016 to 5.5 percent in 2017, as interest payments on debt increased from 0.9 to 1.7 percent of GDP.

External debt now accounts for 70 percent of total public debt. As of November 2017, general government debt was roughly 64 percent of estimated 2017 GDP. External debt as a percent of GDP was estimated at 45 percent of GDP and domestic debt was estimated at 19 percent of GDP.

The current account returned to surplus in 2017. Following persistent current account deficits since 2013, Suriname reported a current account surplus of US\$258 million (equivalent to 7.3 percent of estimated 2017 GDP) in the third quarter of 2017. International reserves increased to US\$424.4 million in December 2017 (equivalent to roughly three months of import cover), up from US\$398.6 million in January 2017.

Suriname is planning to implement a value-added tax (VAT). There were several stakeholder consultations on the proposed VAT in 2017, and more are expected in 2018 to sensitize the public about implementation of the tax. The draft legislation on the VAT is expected to go to the National Assembly in March 2018.

Moody's downgraded Suriname's issuer rating from B1 to B2 with a negative outlook in February 2018. The downgrade reflected continued fiscal imbalances, as seen in higher-than-expected debt ratios and a deterioration in debt affordability metrics. Moody's negative outlook is based on its view that the current pace of fiscal reforms and consolidation may not be sufficient to prevent increased liquidity pressures.

Trinidad and Tobago

Trinidad and Tobago is slowly recovering from a sharp decline in the energy sector. The economy contracted by 6 percent in 2016 and is expected to contract by another 3.2 percent in 2017. Preliminary data for the last two quarters of 2017 show buoyed production of both crude oil and natural gas. Domestic natural gas production will further recover in 2018 on the back of new fields (e.g., BPTT's Juniper) and improved pumping technologies recently adopted in mature fields (e.g., BBTT's onshore compression project). This recovery is expected to reignite overall economic growth to 1.9 percent of GDP by 2018.

The government continues to run fiscal deficits. The overall fiscal deficit in FY2016–2017 was 8.5 percent. The authorities have also projected a deficit for FY 2017–2018. The deficits are being financed partly through drawdowns from the Heritage and Stabilization Fund, asset sales, and borrowings from the domestic and external markets. To put public debt – currently at 61 percent of GDP – on a sustainable path, Trinidad and Tobago needs to achieve a primary surplus in the near future.

The current account deficit has narrowed. The current account balance has deteriorated from a surplus of 3.9 percent of GDP in 2015 to a deficit of 11.3 percent of GDP, mainly due to declining energy volumes and prices. In the first half of 2017, the deficit declined to 2.2 percent of GDP. This improvement reflected an estimated 18.5 percent increase in energy and non-energy exports, with relatively unchanged import levels.

Foreign reserves continue to fall. Net official reserves declined by 11 percent (year-over-year) at the end of December 2017. The country's net official reserves stood at US\$8.4 billion or 9.7 months of imports as of December 2017. It is expected that lower foreign exchange inflows from the energy sector will persist in the short term, thus putting pressure on the central bank to draw down on reserves to meet foreign exchange demand. The tight foreign exchange market has led to rationing and increased black market premiums.

Inflation remained subdued in 2017 due to the domestic economic recession. The domestic economic downturn has contained inflation to a significant extent. Headline inflation, measured using the Retail Price Index, was 1.3 percent (year-over-year) in December 2017 versus 3.1 percent (year-over-year) in December 2016.



Organisation of Eastern Caribbean States (OECS) countries

The OECS region grew on average 1 percent at the end of 2017. The region is still recovering from the devastating effects of extreme weather events encountered during the 2017 Hurricane Season. In particular, Antigua's sister island Barbuda and Dominica were the most significantly impacted by Hurricanes Irma and Maria. With estimated costs of damage and losses at around 225 percent of GDP, preliminary estimates suggest real economic growth to decline by 7 percent for Dominica in 2017.¹ While growth in Antigua and Barbuda slowed down from over 5 percent in 2016 to 3 percent at the end of 2017, growth in Grenada reached an estimated 4.5 percent on account of positive performances in the tourism, construction and education industries. Reconstruction activity is expected to boost growth in the medium-term.

The Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB) partnered to support recovery efforts Antigua and Barbuda and Dominica. The IDB and the CDB have signed an agreement to provide grants of US\$200,000 each to two member countries of the Organization of Eastern Caribbean States (OECS) that were adversely affected by Hurricanes Irma and Maria. These grants are expected to support recovery and reconstruction efforts in the two hurricane-hit OECS islands.

Total visitor arrivals to the OECS increased over the first nine months of 2017. Total visitor arrivals to the OECS increased by 5 percent, boosted by a 2 percent increase in stay-over arrivals and a 5 percent growth in the cruise passenger segment. Positive performances in stay-over visitors were recorded for Grenada (7 percent), St. Lucia (9 percent), and Nevis, when compared with a similar period in 2016. However, long-stay arrivals across the sub-region from the United Kingdom fell on average by 4 percent, continuing a trend that started following the Brexit referendum. St. Vincent and the Grenadines recorded the largest increase in cruise ship passengers (40 percent), followed by St. Lucia and then St. Kitts & Nevis. Total visitor expenditure grew by 8 percent at the end of September 2017.

Prices were stable during the nine months of 2017. The highest inflation rates at end-September were in St. Kitts & Nevis and St. Vincent and the Grenadines, with end-of-period consumer price indexes of 0.9 and 0.4 percent, respectively. On the other hand, inflation in St. Lucia declined slightly by 0.6 percent, while the rate remained unchanged in Grenada.

¹ Caribbean Development Bank (2018). *2017 Caribbean Economic Review and 2018 Outlook*.



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Introduction

Institutions lay the foundations for development.

Today there is widespread understanding that institutional quality plays an important role in determining the patterns of prosperity around the world.¹ Countries that have set themselves on a course of strengthening the quality of their institutions to provide a minimum of certainty to economic agents have been able to alter their development paths.² Less successful countries are those where these institutions are absent or have not been properly developed. A lack of institutions, or having institutions that are ill-designed, has resulted in more vulnerable economies with reduced flexibility to adapt and confront changing and unexpected circumstances.

The Caribbean Country Department (CCB) is currently analysing institutional quality and design in its corresponding countries. Given the broad role of institutions, special emphasis is placed on institutions regarding political representation, the rule of law, and economic management. The hope is that this review will help different stakeholders understand and consider institutional amendments that deliver increased development and well-being to countries and their citizens. This *Quarterly Bulletin* provides some initial findings about the following countries covered by the CCB: The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

The Role of Institutions in the Literature

Institutions have become a central pillar of development theory. As the understanding of the role of institutions in economic performance gained ground in the economics profession, the study of institutions evolved into the relevance of institutions to a significant number of activities that influence the well-being of nations. As such, the study of institutions moved into areas as varied as their effect on reducing corruption, strengthening corporate governance, improving regulatory frameworks, and reducing uncertainty in the implementation of economic policy, among others. Advocates of this approach claim that clarity in the rules of the game and

greater transparency and certainty regarding a wide range of policies and regulations have a long-lasting impact on the growth prospects of a country.

The relationships between institutions and economic development are complex. The positive association between institutional quality and economic performance takes place through numerous channels and holds for assorted indicators of institutional quality. Given this evidence, and the clear understanding of the relevance of institutions for economic performance, a question one could pose is: Where do we go from here? Alternatively, what are the most relevant institutions a country needs to set itself on a path of sustainable development and growth?

Economists no longer question whether institutions matter, but more specifically, which institutions matter and how those institutions can be acquired³.

Significant evidence now supports the fact that having a set of non-market institutions in place allows markets to perform effectively. Some of these institutions carry out complementary regulatory, stabilization, and legitimization functions that support elements of a well-functioning market economy. As a result, their absence, explains the divergence of growth paths among economies. A clearly defined system of property rights and the rule of law provide the proper incentives to invest and innovate. Representative political institutions and the judiciary are some of the institutions that are conducive to higher-quality growth. A regulatory framework that curbs fraud, anti-competitive behaviour, moral hazard, and corruption helps to prevent market failures. Institutions that govern fiscal and monetary management are considered important prerequisites for macroeconomic stabilization and sustainable growth. In addition, institutions that provide a proper environment for the development of human capital are also understood as important preconditions to support growth and development.

Institutions are by their very nature rigid. The ability of countries to alter their institutional setting depends on a deep understanding of the historical origins and evolution of institutions in the country. Knowing what quality institutions should look like in general is thus not sufficient to develop and sustain these institutions, since any alteration of the prevailing institutional structure would in turn need to be made considering the dynamics of the previous setting. The historical foundations of institutions in a country have much to do with the current institutional setting, and a careful grasp and knowledge of those foundations is paramount for any alteration of the system. In other words, to be successful, institutional reform must

¹ In 2016, high-income countries had average per capita income more than 27 times the average per capita income in low-income countries and about four times the average for middle-income countries. See Acemoglu, Johnson and Robinson (2001); Acemoglu and Johnson (2005); Acemoglu and Robinson (2012); Bruhn and Gallego (2012).

² See Acemoglu, Johnson and Robinson (2001); Acemoglu and Johnson (2005); Acemoglu and Robinson (2012); Bruhn and Gallego (2012).

³ Rodrick (2000).

adapt and consider the specific features of the country itself. The remainder of this section gives an overview of the institutional settings in the Caribbean countries covered in the analysis.

Overview

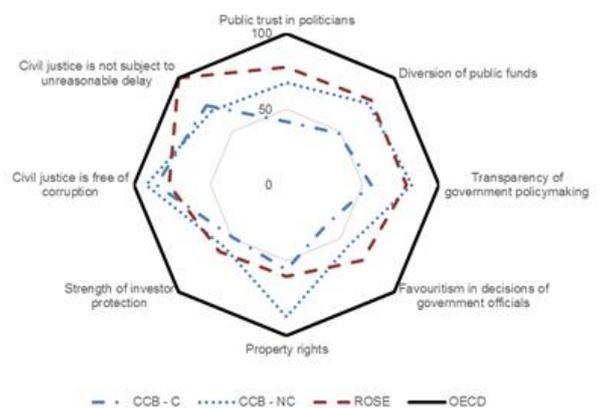
The colonial influence in the Caribbean continued after independence. The countries examined here became independent between 1962 and 1975. While Suriname had been a Dutch colony, the others were all British colonies. As in other parts of the world, these countries inherited the government system from their former colonial masters, including the way the civil service was organized.

Systematic differences in institutions can be observed in Caribbean countries. In terms of measures of institutional quality, there is clear heterogeneity between commodity-dependent countries (Guyana, Suriname, and Trinidad and Tobago – Caribbean-C) and non-commodity dependent countries (The Bahamas, Barbados, and Jamaica – Caribbean-NC). In general, Caribbean-NC countries are relatively better positioned than Caribbean-C countries in most of the measured institutional aspects. To assess such differences, we standardized all measures between the values of 0 and 100, with 100 being the benchmark corresponding to levels of member countries of the Organisation for Economic Co-operation and Development (OECD). Figure 1 shows all the areas surveyed in the World Economic Forum's 2017/2018 Global Competitiveness Index related to the trustworthiness of politicians and the political system. CCB-NC countries performed similarly to comparable economies in terms of size (rest of the small economies of the world – ROSE),⁴ and significantly outperformed CCB-C countries, in perceived public trust, diversion of public funds, transparency of government policymaking, and favouritism in decisions of government officials. Given the evidence suggesting that public trust in political actors is associated with growth and productivity, the observed low levels of trust in CCB-C countries warrants attention.

Results are mixed for property rights and investor protection. Figure 1 shows that in terms of the strength of property rights (which measures protection from expropriation by the government), CCB-NC countries show levels close to OECD levels and outperform both ROSE and CCB-C countries. However, in terms of the strength of investor protection (measuring the appropriateness of rules for disclosure of corporate information by management), both CCB-NC and CCB-C

countries fall short with respect to the OECD and ROSE. This is relevant because investment is incentivized by both strong property rights and transparency of information to make informed investment decisions. In terms of the administration of justice, Caribbean countries in general have judiciary systems with a relatively low incidence of corruption, outperforming ROSE. However, the time it takes for the administration of justice to play out is relatively long in the Caribbean, significantly underperforming ROSE. This is consistent with the fact that the average number of professional judges per 100,000 population in the Caribbean is 7.5, while the world average is 18.⁵ Therefore, increasing the coverage of justice administration services is a policy that could be considered in the Caribbean countries.

Figure 1. Trust in Politicians, Property Rights, and the Administration of Justice in the Caribbean



Sources: World Economic Forum, 2017–2018 Global Competitiveness Index; and the World Justice Project, 2016 Rule of Law Index.

Note: CCB-C: commodity-dependent Caribbean countries (Guyana, Suriname, Trinidad and Tobago); CCB-NC: non-commodity dependent Caribbean countries (The Bahamas, Barbados, Jamaica); OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Poor fiscal outcomes are related to weak fiscal institutions. The fiscal performance of the six Caribbean countries varied significantly, but there are common elements, particularly when compared to other regions. The primary and overall fiscal balances of the Caribbean countries underperformed the other groups of countries, with balances deteriorating by about 3 percentage points of GDP since 2008. Correspondingly, the ratio of public debt to GDP has grown rapidly and shows levels well

⁵ Source: United Nations Office on Drugs and Crime criminal justice data for 2014 or latest available year. Caribbean countries from this brief included in the world average are The Bahamas, Barbados, Jamaica, and Trinidad and Tobago.

⁴ ROSE is a grouping of countries with a population of less than 3 million.

above those of ROSE and Latin America and the Caribbean, as well as the world's 164 emerging and developing countries for which information is available. All in all, the comparison provides a worrisome image for the region, and clearly calls for prompt actions on policy. Perhaps the most salient statistic is the average level of public debt of the Caribbean countries, which rose to the equivalent of 73.5 percent of GDP in 2016–2017,⁶ as compared to 52 percent for the emerging and developing economies. Moreover, the public debts of Jamaica and Barbados were the seventh and tenth highest as a share of GDP among emerging and developing economies in 2016.

Weak policies have caused the increase in debt. Pro-cyclical fiscal policies in boom times (especially among commodity exporters) and expansionary countercyclical policies in recession times—to ameliorate the effects of the global financial crisis of 2008 and declining terms of trade in more recent years, generally in the absence of fiscal space—accelerated the increase in public debt. Furthermore, a recent study indicates that in addition to fiscal overexpansion, public debt has grown largely due to poor public financial management, especially budget transparency and credibility, and the absence of binding rules geared towards entrenching fiscal discipline (Wright, Grenade, and Scott-Joseph 2017). Poor public-sector governance and the absence of independent fiscal institutions are additional factors.

Public financial management is weak in the Caribbean countries analysed here. Poor fiscal performance is attributable to weaknesses in the medium- and long-term national planning capacity, budgeting, program budgeting, and financial management instruments. These weaknesses have resulted in a limited focus on strategic objectives and control over public spending, faulty or absent evaluation of spending effectiveness, lack of incentives for achieving institutional objectives, and limited evaluation systems. Moreover, these weaknesses are heightened by inadequate availability or use of objective evidence on which to base sound policy decision-making and results-oriented management.

Ideally, fiscal policy should be consistent with debt sustainability, resilience in the face of shocks, and macroeconomic stabilization. However, fiscal policy in the Caribbean countries is influenced by distorted

incentives. These incentives reflect, among other things, “common-pool” problems (such as the overexploitation of natural resources in the absence of clearly defined property rights), as well as interest groups lobbying for spending on their preferred public goods and entitlements without consideration of the full budgetary costs (and, concurrently, concerns about the electoral cycle leading policymakers to accommodate such spending increases). This reveals an insufficient understanding of the long-run constraints on fiscal policy, as well as the weakness of processes and institutions that could make these constraints more explicit and binding.

Weak fiscal institutions have important implications.

The poor processes and institutions in the public finance area of the Caribbean countries have resulted in a weak base for fiscal management and macroeconomic stability and have hampered the achievement of the desirable budget outcomes in the areas of aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery. Moreover, all these weaknesses and the fiscal instability associated with them have had adverse effects on private sector activity because they have undermined predictability. The resulting misallocation of resources, both public and private, has hindered economic growth and social development.

The remaining sections of this issue of the Quarterly Bulletin focuses on four types of institutions: Political, Rule of Law, Human Capital, and Economic. These sections present some initial results for the individual Caribbean countries analysed. Much of these results will be expanded in an upcoming book on the state of institutions in the region.

⁶ This average ratio would have been significantly higher in the absence of the major debt reduction Guyana obtained under the Heavily Indebted Poor Countries initiative in the early 2000s, when the country's ratio of debt-to-GDP had reached 130 percent.

THE BAHAMAS INSTITUTIONS AND TRUST

Contributor: Allan Wright

Overview

There is deeper understanding today that strong institutional quality contributes to higher levels of growth and overall prosperity. Through mechanisms that strengthen the rule of law, secure property rights, and develop effective judiciary recourse, sound political representation, and effective economic policy, institutional frameworks stimulate growth and economic development. This brief presents a short description of the institutional environment that could explain the differences in the perceptions of institutions between The Bahamas and comparator regions that include the rest of the small economies of the world (ROSE),¹ the Organisation for Economic Co-operation and Development (OECD), and Latin America. Using several standardized measures, an examination of institutional performance in The Bahamas shows that it remains near international standards, but that some weaknesses remain for the archipelago.

Political Institutions

The political system in The Bahamas is based on a parliamentary Westminster democracy. The country gained independence in 1973. Leading the government is the prime minister, currently Dr. Hubert Minnis. As a member of the Commonwealth, the archipelago follows the political and legal traditional framework of the United Kingdom. Queen Elizabeth II or her representative (the governor-general) is the head of state, although it is the Cabinet that exercises executive power. There is a bicameral parliament: The House of Assembly and the Senate. The judiciary, which oversees jurisprudence according to English law, is independent of the executive (Cabinet) and the legislature. The constitution protects the rights of citizens regarding speech, worship, and free movement and association.

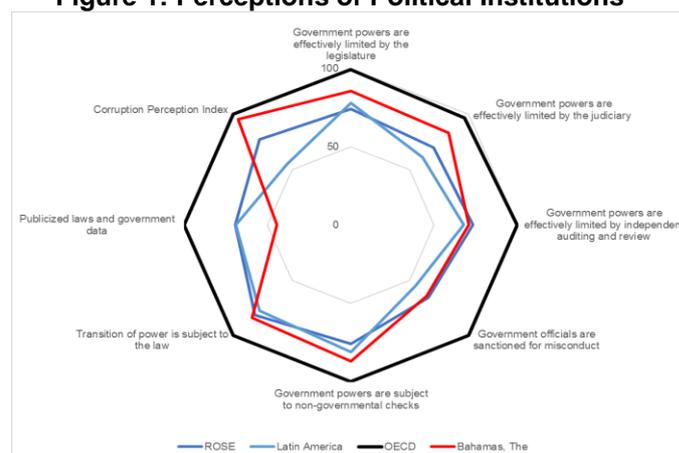
The political system is dominated by the Progressive Liberal Party (PLP) and the Free National Movement (FNM), although recent years have seen the emergence of a few minor parties. The House of Assembly is the most recognized branch of government in The Bahamas. It consists of 38 elected representatives who are elected for five years. The prime minister, however, has the right to call early elections, at which time the Parliament is dissolved. There are 16 members of the Senate, the upper house, of which nine are appointed by the prime minister, four by the opposition, and three on the advice of both the prime minister and the opposition leader. The governor-general is responsible for opening the sessions of Parliament, which is usually done by a Throne Speech.

Highlights

- The political system of The Bahamas is based on a parliamentary Westminster democracy.
- Health and education performance indicators remain strong and on par with international standards.
- Bahamians retain trust in their institutions, but weaknesses remain in strengthening investor protection.
- Stronger fiscal governance and transparency of key agencies are required.

The Bahamas, like other commonwealth countries, inherited a civil service style like that of the United Kingdom, where the Public Service Commission provides independent advice on appointment, promotion, and public service staff discipline. Public service staffers are expected to be apolitical in the administration of government business.

Figure 1: Perceptions of Political Institutions



Sources: World Justice Project, 2016 Rule of Law Index; and the Latin America Public Opinion Project (LAPOP) 2014 Survey.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

The Bahamas does better than Latin America and ROSE in surveys of perceptions of the effectiveness of its political institutions. The data in Figure 1 show that people in The Bahamas, more so than in ROSE and Latin America, believe that their government power can be limited by different institutions. They also perceive that there is less corruption than do people in the comparator regions. The only variable where the country does worse than comparators is publicized laws and government data. Therefore, organizing appropriate institutions to improve public access to government information, while keeping

¹ ROSE is a grouping of countries with a population of less than 3 million.

THE BAHAMAS INSTITUTIONS AND TRUST

corruption in check, would help boost current levels of public trust in political institutions.

Human Capital

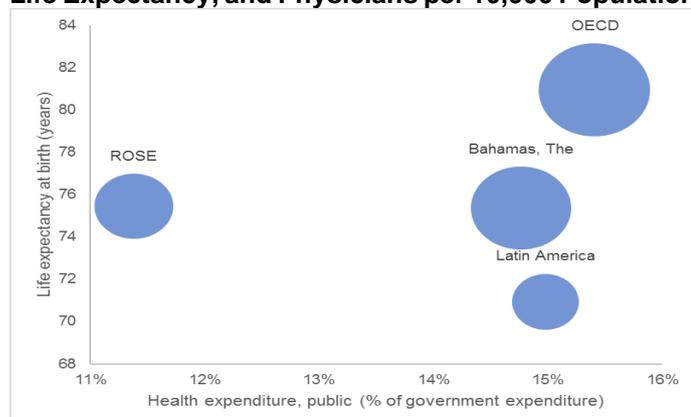
In terms of health and education, the performance of The Bahamas seems to be on a good track. To study these two important variables of human capital, we used data from the World Bank's World Development Indicators and The Bahamas' 2014 Labour Force Survey.

Health

The government-sponsored health system is responsible for providing the bulk of health services to the population of The Bahamas, accounting for 87 percent of all inpatient beds and discharges. Public healthcare provision remains dominant, as approximately 70 percent of Bahamians do not have health insurance. The Ministry of Health and Social Development performs most functions within an organizational model geared towards predominantly curative and disease-based treatment. In the 2016/2017 fiscal year, the government implemented the National Health Insurance plan with universal coverage, addressing non-communicable diseases as well as maternal and infant health at the primary care level.

Figure 2 shows that life expectancy at birth in The Bahamas is longer than the Latin American average by almost five years, despite similar expenditure on public health. The size of the bubble in the figure represents the number of physicians per 10,000 population, and these data show that The Bahamas exceeds the number for ROSE and Latin America, but not for the OECD.

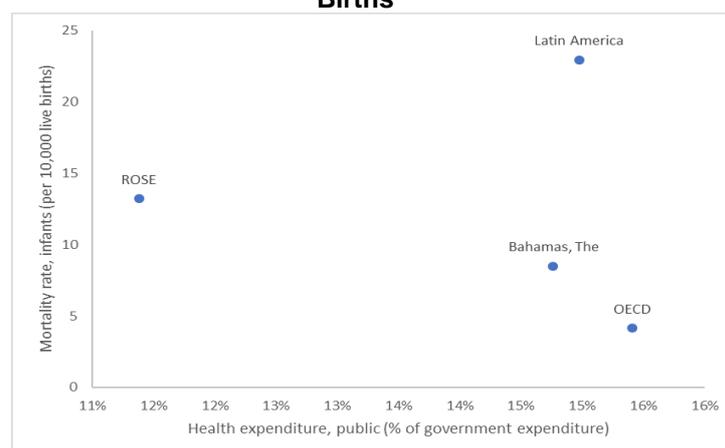
Figure 2: Relationship between Expenditure on Health, Life Expectancy, and Physicians per 10,000 Population



Source: World Bank. World Development Indicators, 2016.
Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Figure 3 shows the archipelago having a lower infant mortality rate than ROSE and Latin America. However, its infant mortality rate is higher than that of the OECD.

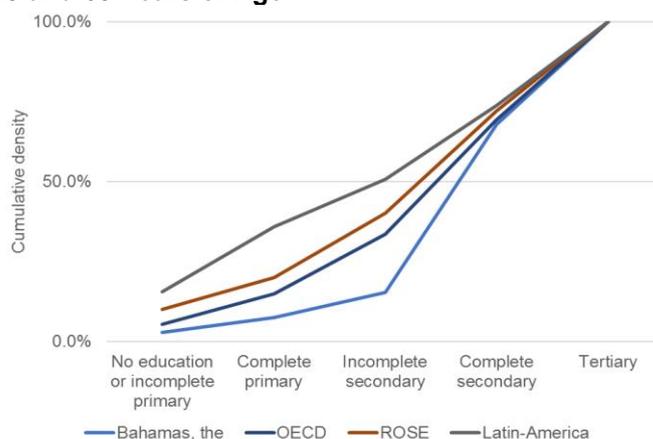
Figure 3: Measures of the Mortality Rate and Infant Births



Source: World Bank. World Development Indicators, 2016
Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Education

Figure 4: Educational Attainment by Persons between 25 and 65 Years of Age



Sources: The Bahamas 2014 Labour Force Survey. UNESCO's Statistics on Education 2016 was used for comparison groups.
Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

The education system in The Bahamas covers primary, secondary, and tertiary education, along with the recent inclusion of pre-school. With universal education up to the secondary level, the Ministry of Education manages the government's pre-primary, primary and secondary schools, along with all buildings, personnel payments, and the provision of other supplies. In terms of educational attainment, The Bahamas does

THE BAHAMAS INSTITUTIONS AND TRUST

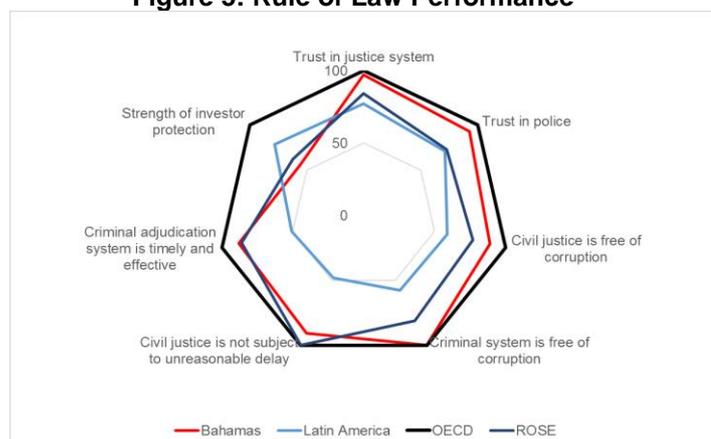
better than the comparator regions, including the OECD (Figure 4). The share of individuals between 25 and 65 years old in The Bahamas with no education or incomplete primary or secondary education is the lowest among all the groups studied. The country has the second highest share of population between 25 and 65 years old with tertiary education among the Caribbean-6 (The Bahamas, Barbados, Jamaica, Guyana, Suriname and Trinidad and Tobago).

Rule of Law institutions

Bahamians tend to trust in their rule of law institutions.

Figure 5 presents different measures of perceptions of rule of law institutions such as the justice system and the police and how these institutions perform. The data show that people in The Bahamas trust in their justice system and police more than people in ROSE and Latin America, and they think the criminal and justice systems are free of corruption at a level similar to that perceived in the OECD. The only detectable problematic variable is strength of investor protection. Examining institutions that facilitate and secure private contracts between citizens, one can observe some room for improvement in terms of the strength of investor protection. The World Bank's 2016 Doing Business Index ranks The Bahamas at levels equivalent to 55 percent of OECD levels, slightly underperforming ROSE economies, whose level was 62 percent of OECD standards.

Figure 5: Rule of Law Performance



Sources: Latin American Public Opinion Project (LAPOP) 2014; World Economic Forum, Global Competitiveness Index 2017–2018; and World Bank, *Doing Business Report 2016*.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Economic Institutions

Fiscal performance worldwide has been shown to improve with the existence of institutions that aim to correct incentives and contain overspending. If properly established, fiscal rules and fiscal councils

provide a medium-term anchor that enhances the credibility of policies and supports inter-generational equity. The lack of such institutions makes fiscal mismanagement more likely. Caribbean countries in general, including The Bahamas, have little experience with these types of institutions. The establishment of such institutions would likely increase transparency and credibility, as well as increase awareness of the political and social costs of unsound fiscal policies in the country. In addition, the analyses show that The Bahamas would benefit considerably from greater credibility in the budget.

The mix of actual expenditures should be better aligned with the budget.

Comprehensiveness and transparency could be enhanced via greater transparency regarding extra-budgetary expenditures or funds. The Bahamas would also benefit from enhanced transparency in public procurement by increasing the utilization of competitive tenders, recruiting qualified procurement staff, and publicizing the information on related processes and awarded contracts. Tax liability assessments and exemptions show low enforcement, limited internal controls that are effective, and a need to improve external scrutiny and audit. The planned introduction of cost-cutting measures, along with fiscal responsibility legislation, will target the budget deficit and gradually reduce the debt burden. The government of The Bahamas continues to examine ways to provide stronger support to public sector fiscal management and strengthen the provision of data through the development of a central delivery unit (expected by the second quarter of 2018) and promotion of a new structural-fiscal culture.

Independence and transparency of central banks influences the credibility of these institutions and their effectiveness

in controlling inflation and providing a proper environment for economic growth and prosperity. The levels of independence of the Central Bank of The Bahamas (CBoB) (ranked 73rd out of 89 countries worldwide) and transparency (overall transparency index score of 5.5 within a range of 0 to 15, as compared to the OECD score of 11.93 and the ROSE score of 4.89) could benefit from strengthening. Enhanced technical and political independence of the CBoB and transparency in its operations should rank high on the policymakers' agenda.

Conclusion

Effective institutions are critical for continuing growth and development. The institutional performance of The Bahamas remains in line with international standards, though a few opportunities for improvement exist.

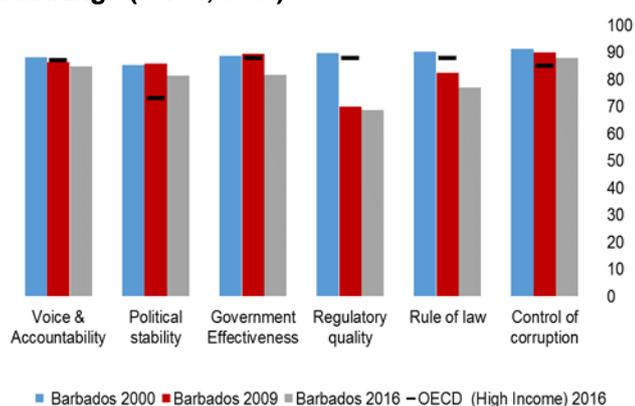


Contributors: Laura Giles Álvarez, Juan Pedro Schmid and Kimberly Waithe

Overview

The institutional performance of Barbados is high by international standards. However, indicators on institutional quality and trust have been falling in recent years, reflecting the country's economic challenges. It is well recognized that countries that have set a course of strengthening the quality of their institutions to provide a level of certainty to economic agents have been more likely to improve their development paths. Ascertaining citizens' trust in their country's institutions is one way to analyze whether institutions are effective. Figure 1 shows the results for the World Bank's perception-based World Governance Indicators. Barbados is a top performer in terms of quality of institutions and trust, with overall scores comparable to member countries of the Organisation for Economic Co-operation and Development (OECD). However, Barbados's scores have been declining in recent years. This brief further examines the institutional quality and design in Barbados with an emphasis on political institutions, human capital, the rule of law, and economic institutions. The brief analyzes data from perception surveys and compares those data with data from other countries and regions.

Figure 1: World Governance Indicators: Comparative Rankings (0-100, best)¹



Source: World Bank, World Governance Indicators, 2016.

Note: OECD: Organisation for Economic Co-operation and Development.

Political Institutions

Barbados follows the Westminster model of parliamentary government. The country has one of the oldest Westminster-style parliaments in the Western Hemisphere, dating to the 1600s. The island remained a

Highlights

- The constitution of Barbados preserves the parliamentary form of democracy based on the Westminster model.
- Barbados performs highly in education and health outcomes as well as in service coverage.
- Enforcement of the law by the judiciary operates within a system of perceived low corruption.
- Strengthening monetary and fiscal institutions could result in greater credibility, independence and transparency, which is important in Barbados given current fiscal imbalances and macroeconomic challenges.

British colony until independence on November 30, 1966. The governor-general of Barbados is representative of the British monarch and is the head of state. The current governor-general is Dame Sandra Mason, who was recently appointed as the eighth governor-general of the country with a term beginning on January 8, 2018. The prime minister, currently the Right Honorable Freundel J. Stuart, is appointed by the governor-general and is the head of government.

The Parliament of Barbados has a bicameral legislature: an elected House of Assembly (lower house) and an appointed Senate (upper house). The House of Assembly was constituted in 1639. At that time, candidacy for the House of Assembly, which was then known as the House of Burgesses, was supported on property ownership. The House of Assembly has 30 members, who are elected by plurality vote in single-member constituencies to serve for five-year terms, while the Senate has 21 members.

The constitution outlines the main responsibilities and duties of the executive authority in Barbados. Executive power is vested in Her Majesty, represented by the governor-general, and is exercised by members of a Cabinet headed by the prime minister. The Cabinet is the principal instrument of policy and is responsible for the general direction and control of the government of Barbados and is collectively responsible to Parliament.

General elections in Barbados are constitutionally due five years from the first sitting of Parliament. However, the governor-general, acting in accordance with the prime minister, can establish an earlier date for elections by dissolving Parliament. The next general election in Barbados is due in 2018. The Electoral and Boundaries Commission for Barbados serves to enforce and facilitate transparency during elections. The commission is

¹ OECD high income countries include: UK, USA, Japan, Germany, France, Italy, South Korea, Spain, Poland, Canada, Australia, Chile, Netherlands, Portugal and Greece.

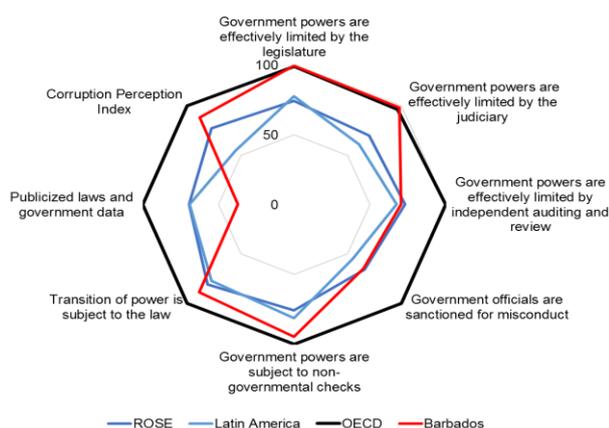


responsible for the registration of voters, conducting elections in every constituency, and reviewing the number and boundaries of constituencies.

There are three service commissions in Barbados: The Public Service Commission, the Police Service Commission, and the Judicial and Legal Service Commission. These are independent bodies that play an advisory role. Their objective is to ensure that principles of justice, equity, and transparency are upheld in the management of officers in the public service. These commissions advise the governor-general with respect to appointments to public offices, removal from office, and disciplinary control over persons holding or acting in such offices.

Barbados performs better than Latin America and the rest of the small economies of the world (ROSE)² in perception surveys about political institutions. Figure 2 shows data on perceptions of different variables extracted from the Latin American Public Opinion Project (LAPOP) Survey and the World Justice Project's Rule of Law Index. People in Barbados think their government power can be limited by different entities in a similar way to OECD countries. Their perception of corruption is lower than that in Latin America. In contrast, the country performs worse than any comparison group in publicizing laws and government data.

Figure 2: Perceptions of Political Institutions



Sources: World Justice Project, 2016 Rule of Law Index; and the Latin American Public Opinion Project (LAPOP) 2014 Survey.
Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Human Capital

Barbadians have high levels of human capital, as measured by education and health indicators.

Barbados ranks 54th out of 188 countries on the United Nations Development Program's Human Development Index. Educational attainment and healthcare indicators are among the highest in the region. Access to education and health services are also high compared to Latin America and ROSE.

Health

Generally, Barbados has a good healthcare system. The island's main hospitals are the public hospital (Queen Elizabeth Hospital) and the privately-owned Bayview Hospital. These hospitals are supported by several public polyclinics that can be found throughout the island. In addition, there are institutions that provide for the care of the elderly, mental health services, education and rehabilitation for the disabled, quality drugs to government healthcare institutions, and a network of child care facilities. There are also several private clinics and medical facilities across the island. The Ministry of Health is the executing agency for the delivery of healthcare in the public sector, with an objective to provide comprehensive healthcare and ensure that environmental concerns are considered in all aspects of national development.

The public health system is universally accessible in Barbados. Healthcare services are generally provided free at the point of delivery in the public sector. The Queen Elizabeth Hospital is a 600-bed facility that provides a range of medical, diagnostic, and treatment services to the public. The nine polyclinics play a supportive role to the hospital. In addition, there are four main public district hospitals that provide for the care of the elderly and two main centers that facilitate care for the disabled. Barbados also has a public psychiatric hospital.

Public spending is the main source of health expenditure, mostly financed by tax revenues allocated through the Ministry of Health. Public health spending in Barbados represented around 4 percent of GDP over the last five years, very similar to the average 3.9 percent of GDP in ROSE and almost half the amount in the OECD. Outside the public healthcare system, persons mainly access private health services through out-of-pocket payments. Private health expenditure accounted for almost 3 percent of GDP at the end of 2014, according to the World Bank's World Development Indicators. Of these private expenditures, 82 percent were direct out-of-pocket payments, an amount that is higher than the averages of 73 percent and 37 percent directed to such expenditures in ROSE and the OECD, respectively.

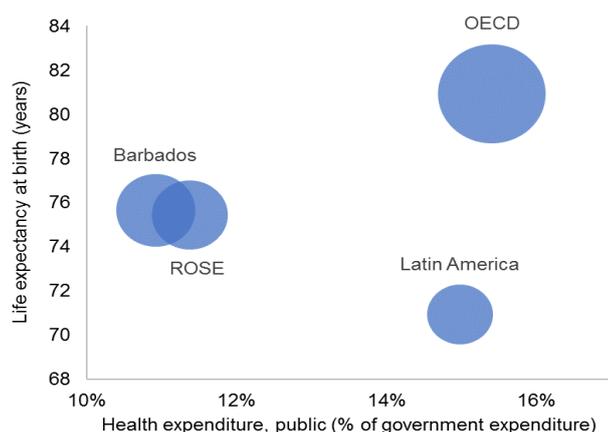
² ROSE is a grouping of countries with a population of less than 3 million.



Barbados scores high in health outcome and service indicators compared to ROSE and Latin America.

Figure 3 shows that average life expectancy at birth in Barbados is almost five years above the average in Latin America, and in line with the ROSE average. However, it is still lower than the OECD average. Barbados also has low public health expenditures (as a percentage of government expenditure) compared to average spending in OECD and Latin American countries. The size of the bubble in Figure 3 represents the number of physicians per 10,000 population, which is a proxy for health service coverage. Barbados slightly exceeds the number for ROSE and Latin America but is below the OECD level.

Figure 3: Relationship between Expenditure on Health, Life Expectancy, and Physicians per 10,000 Population



Source: World Bank. World Development Indicators, 2016.

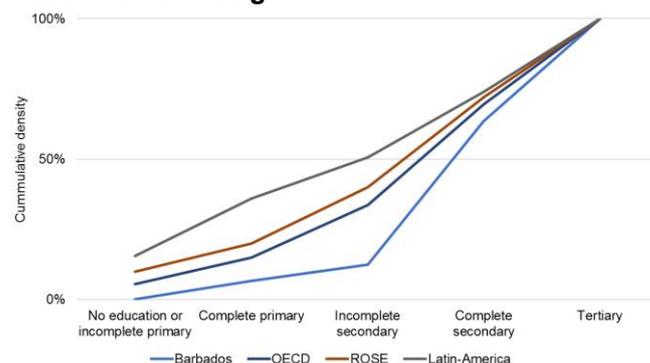
Education

The education system in Barbados has four main levels: pre-primary/early childhood, primary, secondary and post-secondary/tertiary. Education in public institutions at the primary and secondary levels is free, but since the academic year 2014/2015, students at The University of the West Indies (Cave Hill Campus) have been required to pay approximately 20 percent of the annual cost of their programmes. In addition, transport in public buses is free for primary and secondary school students. The educational system also includes several private primary and secondary schools along with tertiary institutions. In Barbados, 92.6 percent of the population older than 25 years of age has at least a secondary education. There is high investment in education, with government expenditure on education accounting for around 6 percent of GDP over

the last five years. This is comparable to levels of spending on education in many OECD countries.

Private and public educational institutions are available throughout the island. There are approximately 71 public primary schools in Barbados and 22 public secondary schools, of which 20 are co-educational and two are single-sex schools. In addition, the government provides grants by way of subventions, salary grants, and bursaries to assist private secondary schools. There are approximately 20 private primary schools. Privately owned schools account for around 9 percent of the primary and secondary school population.³ At the post-secondary/tertiary level, the government also dominates as the main provider of education. There are three main state-run institutions and the regional university.

Figure 4: Educational Attainment by Persons between 25 and 65 Years of Age



Sources: Standard of Living Conditions Survey 2016 for Barbados. UNESCO's Statistics on Education 2016 was used for comparison groups.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

In terms of educational attainment, Barbados performs better than other regions, but there are gaps in the measurement of quality of education. As shown in Figure 4, Barbados has better school attainment than any other comparator, including the OECD. The country has the lowest shares of the population between 25 and 65 years of age with no education or incomplete primary education, complete primary education only, incomplete secondary education, and complete secondary education only. The country also has the highest share of its population between 25 and 65 with tertiary education among the Caribbean-6 (The Bahamas, Barbados, Jamaica, Guyana, Suriname, and Trinidad and Tobago). However, there are gaps in the measurement of quality of education in Barbados, as the country does not participate

³ UNESCO, "Education for All 2015 National Review Report: Barbados." Available at: <http://unesdoc.unesco.org/images/0023/002300/230018E.pdf>



in many international comparison surveys, such as PISA, which measure for quality of education.

Rule of Law institutions

The court structure in Barbados consists of four levels: the Caribbean Court of Justice, the Court of Appeal, the High Court, and the Magistrates Courts. The constitution puts the Caribbean Court of Justice at the top of the judicial system with two jurisdictions: appellate jurisdiction and original jurisdiction. The Supreme Court is comprised of the Court of Appeal and the High Court, and carries out jurisdiction, powers, and authority subject to the constitution or any other law. Both courts are headed by the chief justice, who is appointed by the governor-general on the recommendation of the prime minister after consultation with the leader of the opposition. The High Court has a wider jurisdiction than the Magistrates Courts and deals with serious criminal, family, and civil matters. The Court of Appeal carries out both criminal and civil jurisdictions and reviews appeals from decisions of the High Court and the Magistrates Courts. The Magistrates Courts are courts of summary jurisdiction pertaining to criminal, civil, domestic, domestic violence, and juvenile matters.

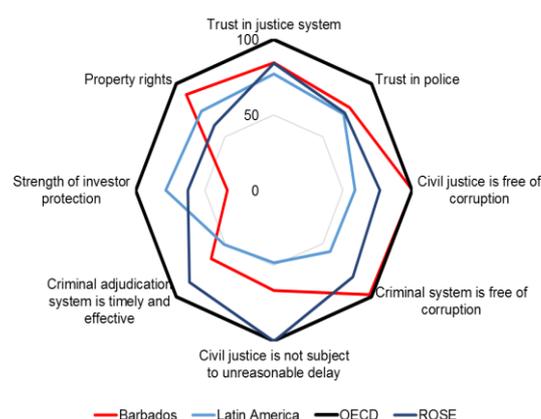
The justice system in Barbados faces a number of challenges. The court system has been constrained in its ability to quickly and effectively conclude cases, which has led to a backlog. Processing delays and backlogs in cases can have an adverse effect on the criminal justice system. This issue has been attributed in part to the current shortage in the number of judges and other key personnel, inadequate infrastructure, and technology.

The Royal Barbados Police Force (RBPF) is the law enforcement arm in Barbados. The commissioner of police commands and supervises the RBPF and is responsible to the governor-general for the efficient administration and government of the force. The commissioner of police is appointed by the governor-general, acting on the recommendation of the Police Service Commission in consultation with the prime minister. The RBPF has an approximate staff of 1,411 officers, comprised of 1,175 men and 236 women. (Bailey 2016). There are 16 police stations across the 11 parishes of Barbados.

Crime rates in Barbados remain lower than in other countries in the Caribbean. Intentional homicides (per 100,000 population) stood at 10.9 for Barbados compared with over 43 for Jamaica and 31 for Trinidad and Tobago. Given the importance of the tourism sector, security is central for Barbados.

Barbadians tend to trust in their rule of law institutions. Figure 5 shows different measures of perceptions of the performance of rule of law institutions such as the justice system and the police. The data show that people in Barbados trust their justice system and police more than people in ROSE and Latin America. They also think that the criminal and justice systems are free of corruption in a manner similar to the perceptions in the OECD. In addition, managers interviewed for the World Bank's *Doing Business Report* and the World Economic Forum's Global Competitiveness Index stated that, compared with Latin America and ROSE, Barbados has stronger property rights. Indicators on which Barbados did not score as well with respect to the comparator groups include the strength of investor protection and the timeliness of the civil justice and criminal adjudication systems.

Figure 5: Rule of Law Performance



Sources: Latin American Public Opinion Project (LAPOP) 2014; World Economic Forum, Global Competitiveness Index 2017–2018; and World Bank, *Doing Business Report* 2016.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Economic Institutions

The Ministry of Finance plays a key role in the fiscal management of Barbados. The constitution makes provisions for the Consolidated Fund to which all revenues are credited, and which assigns responsibility for the preparation of the annual estimates of revenue and expenditure to the Minister of Finance. The fiscal year runs from 1 April to 31 March. The budget estimates usually provide projections for the current financial year and forward expenditure estimates for the next two years. The country continues to be challenged by the size of the deficit and high public-sector debt.

Fiscal performance improves when there are institutions that aim to correct incentives and contain



overspending. If properly established, fiscal rules and fiscal councils provide a medium-term anchor that enhances the credibility of policies, supports inter-generational equity, and promotes aggregate fiscal discipline. Most Caribbean countries have little experience with these types of institutions. This is particularly important, given current fiscal imbalances. The analysis in this brief shows that Barbados would greatly benefit from improving several general aspects of fiscal performance. First, the budget should have greater credibility through its actual revenue and expenditure predictions. Second, credibility and transparency could be enhanced by providing better information on arrears, extra-budgetary operations, and detailed expenditures as opposed to aggregates. Third, Barbados would benefit from a more detailed medium-term expenditure framework that allows for planning and budget execution and which is aligned to a medium-term debt strategy. Lastly, tax liability assessments and exemptions are still subject to discretionary powers of different government entities, effective internal controls are limited, and external scrutiny and audit need improvement.

The Central Bank of Barbados was established on May 2, 1972 by an Act of Parliament with a directive to ensure monetary and financial stability. The central bank is governed by a Board of Directors that is responsible for the policy and general administration of the bank. The governor of the Central Bank of Barbados is appointed by the Minister of Finance for a period not exceeding five years and is eligible for re-appointment.

In Barbados, the exchange rate is used as the publicly announced monetary policy anchor. Since 1975, Barbados has sustained an exchange rate targeting framework of its monetary policy, with a peg of BDS\$2/US\$1. The main objective of monetary policy is to maintain the exchange rate anchor and low inflation with international reserves as the operational target. Recent macroeconomic instability and fiscal imbalances have led to a decline in international reserves (reaching 6.6 weeks of imports at the close of 2017), rising inflation (reaching 4 percent at the end of October 2017), implementation of a fiscal adjustment program, and a further tightening of monetary policy.

The independence and transparency of a central bank influences its credibility and its effectiveness in controlling inflation and providing a proper environment for economic growth and prosperity. However, the Central Bank of Barbados shows low levels of both independence (ranked 84th out of 89 countries worldwide on the central bank independence index) and transparency (an overall transparency index score of 2 within a range of 0 to 15, while the score for the OECD is

11.93 and for ROSE is 4.89). Ensuring the technical and political independence of the Central Bank of Barbados and transparency in its operations should rank high on the policymakers' agenda.



Contributors: Mark D. Wenner and Elton Bollers

Overview

The quality of public institutions influences the pace of development, the distribution of the benefits of growth, risk management capabilities, and economic efficiency. This brief considers the structure of public institutions and survey results regarding public perceptions in Guyana, including cross-country comparisons. In general, results suggest that perceptions of the quality and performance of Guyana's government institutions is weaker than that displayed by peer countries.

Political Institutions

Guyana has a hybrid presidential-parliamentary Westminster system of government. Other independent English-speaking Caribbean countries tend to have a classic Westminster parliamentary system, and Latin American countries tend to have presidential systems. In Guyana, the president is both head of state and chief executive, with more autonomy and discretion than typically found in parliamentary systems.

The Office of the President has broad and wide-ranging powers. The president/chief executive directs, guides, and oversees the various ministries and agencies, while also serving as commander in chief of the armed forces. The president has the right to appoint the prime minister, ministers, board members of state-owned companies, chief judicial officers, and a host of commissions—except for the Judicial Service and Rights Commissions. In addition, the president can veto legislation and must approve bills passed by the National Assembly before they become law. The president also has the right to prorogue (suspend) and dissolve Parliament at any time by proclamation. The president can initiate legislation, speak to and send messages to Parliament, initiate foreign engagements, negotiate and commit to treaties, and represent Guyana in international affairs.

The National Assembly is responsible for writing laws, approving budgets, and providing oversight. It is the principal check on the executive branch. The body consists of 25 elected officials from the 10 administrative regions, with the remaining 40 members elected from a national "top-up" list. Women hold 21 seats, or approximately 30 percent of the total number of seats.¹

The judiciary is independent, and subject only to the constitution and the law. The judiciary consists of three levels of court: The Magistrate, the High Court, and the Appeal Court. The chancellor of the judiciary is the chief representative of judicial authority and is appointed by the

Highlights

- *A hybrid presidential-parliamentary system in Guyana centralizes considerable power in the chief executive.*
- *Public education and health care institutions suffer from limited budgetary resources and high emigration of skilled labor, resulting in poor outcomes compared to the rest of the Caribbean.*
- *Opinions regarding the rule of law and justice compare poorly with advanced economies and regional peers, but in some cases are superior to results from Latin America.*
- *Economic institutions have succeeded in maintaining macroeconomic stability and prudently managing debt, but further improvements are required.*

president in consultation with the leader of the opposition (Constitution Article 128 (1)). The chief justice of the High Court is also appointed by the president with consultation. There is no standard tenure for either of these positions. However, the chancellor and chief justice may serve until he or she reaches the age of retirement (65 years). The other judges for all levels of courts are named by the Judicial Service Commission, an independent constitutional agency comprised of five senior jurists appointed by the Parliament and confirmed by the president. The judiciary selection process is generally considered to be open, meritocratic, and transparent.

Free and fair national elections have been held on a regular basis since 1992, but tensions persist and contribute to a polarized political culture. National elections for the president and the legislature are constitutionally due every five years from the first sitting of Parliament but can be called any time either by a vote of no confidence in the Parliament or by executive proclamation. Between 1968 and 1992, allegations of fraudulent elections abounded. Since 1992, international observers have monitored elections and all elections have been declared fair. Local elections were held in 1994 and 2016 and are slated again for 2018. Unrest and electoral violence occurred in the past but has been absent in the last three cycles. Nonetheless, since the 1950s a race-based pattern of voting has persisted, with the two main parties each representing primarily one of the two largest ethnic/racial groups: Indo-Guyanese (39 percent) and Afro-Guyanese (29 percent).

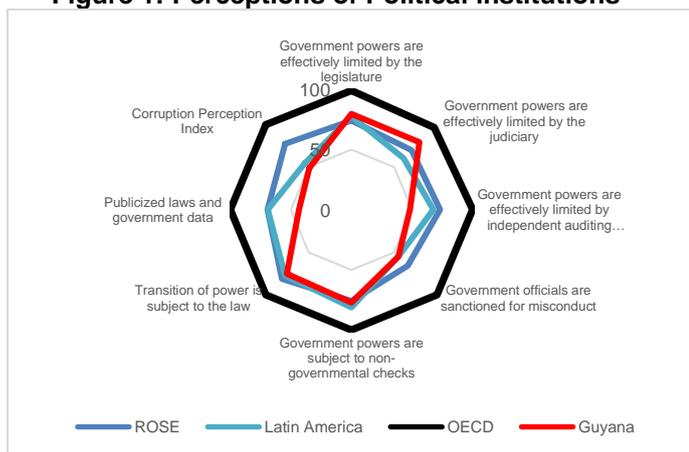
The civil service is expected to be neutral and professional and to refrain from public political activity. A key institution is the Public Service Commission, which gives advice on appointments and

¹ While the list of political party nominees must have a minimum percentage of women, the final list of candidates named to office is not subject to the same formal strict quota.

promotions, and disciplines civil servants. In practice, the civil service has experienced slow wage growth and operated with fiscal, technological, and human capital constraints, which contributes to lower public sector effectiveness.

The lines in Figure 1 refer to the opinions people have regarding political institutions. In Guyana, compared with other groups of countries, people have a stronger belief that the legislature and judiciary can limit government power. On the other hand, the perception of corruption tends to be higher in Guyana than in the other regions. Also, the variables of transition of power rules and publication of government data perform worse in Guyana than in Latin America, the rest of the small economies of the world (ROSE),² and member countries of the Organisation for Economic Co-operation and Development (OECD).

Figure 1: Perceptions of Political institutions



Sources: World Justice Project, 2016 Rule of Law Index; and the Latin American Public Opinion Project (LAPOP) 2014 Survey. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Human Capital

Both healthcare and education have public and private providers. However, public providers are the most dominant and financed by taxation, while private providers are financed by user charges and, in the case of the health sector, health insurance policies.

In terms of health and educational attainment, Guyana faces challenges, as will be described below.

Health

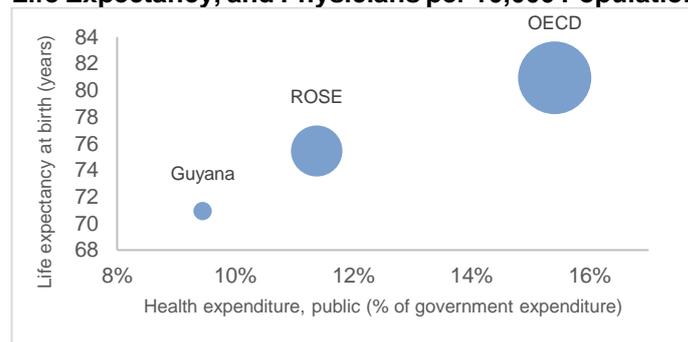
Guyana has a universal healthcare system in which medical attention is free of charge for all citizens at public facilities. The public-sector healthcare

infrastructure is multi-tiered, with five different levels of institutions. Health posts and centres, located in smaller, rural, and peri-urban villages, offer preventive care and are staffed by community health workers, nursing assistants, and nurses. District hospitals provide basic in-patient and outpatient care and selected diagnostic services, and are staffed by nurses and a few doctors. Regional hospitals provide emergency services, routine surgery, obstetrical and gynaecological care, dental and diagnostic services, and host specialist services in general medicine and paediatrics. Georgetown Public Hospital, located in the capital, is the national referral hospital. It provides a comprehensive range of diagnostic and treatment services available in the country. In addition to the national referral hospital there are three specialty facilities for behavioural and mental health issues, geriatric care, and juvenile rehabilitation.

The public health institutions are complemented by nine private institutions. Most private institutions are clustered in the capital, with the others in larger provincial towns. They are perceived as healthcare providers of higher quality, and unlike public facilities, they charge at point of use.

Figure 2 shows that life expectancy at birth is almost the same as the Latin American average, but with smaller expenditure in public health. The size of the bubble in Figure 2 represents the number of physicians per 10,000 population, and the data show that the figure for Guyana is slightly less than that for ROSE and almost the same as for Latin America.

Figure 2: Relationship between Expenditure on Health, Life Expectancy, and Physicians per 10,000 Population



Source: World Bank, World Development Indicators, 2016. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Education

The educational system in Guyana has four levels and is divided into two domains—public and private. The four levels are nursery, primary (grades 1-6),

² ROSE is a grouping of countries with a population of less than 3 million.



secondary (grades 7-12), and tertiary. There are 1,220 public schools and approximately 58 private or parochial schools. Within the primary and secondary levels there are three tracks: general education, special education, and vocational and technical education. The latter two tracks are relatively underdeveloped and geographic coverage is concentrated. There are only six special education schools in the entire country. Three of the special education schools are in the greater Georgetown metropolitan area. Similarly, there are just 18 technical vocational institutions, most of them located in the capital, Region 4, and Region 6. Just as with public healthcare institutions, there is a perceived quality gap. Private school students tend to dominate among the top-ranked students on the National Grade Six Assessment. Children of the middle and upper classes gravitate towards attending private primary schools primarily because of perceived differences in quality of instruction, and then compete to be placed in the five most prestigious public college preparatory schools based on high entrance exam scores.

25 and 65 years old with tertiary education (6 percent) among the Caribbean-6 (The Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago, and Suriname).

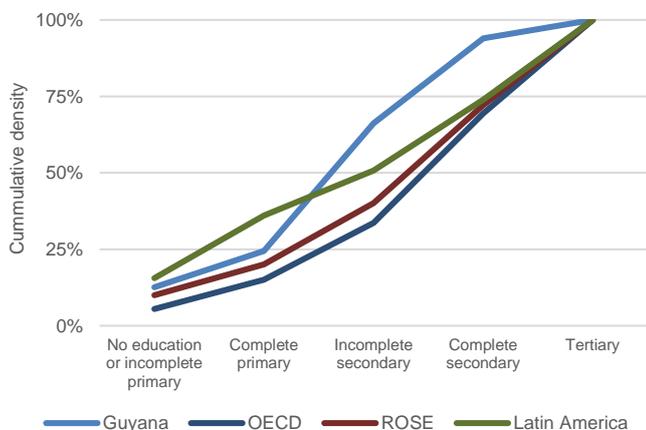
Rule of Law Institutions

The rule of law centres on the administration of justice, law enforcement, protection of property rights, protection of fundamental civil liberties, and citizens' perceptions of physical security. In public surveys, most Guyanese express feelings of insecurity due to crime. Available data indicate that serious crimes decreased overall in 2015 compared to 2014, but specific categories such as murder, rape, and armed robbery increased. Because of the low level of trust in and respect for the police, the underreporting of crime is a major issue in Guyana. According to the United Nations Office on Crime and Drugs, the country's intentional murder (homicide) rate per 100,000 population fluctuated between 2003 and 2015 from a low of 15.4 to a high of 27.7, with the average for the 12 years being 19.2. This murder rate, combined with other serious crimes, places Guyana on the higher end of countries in the region.

The principal organs of law enforcement and the administration of justice face problems. The Guyana Police Force has problems of substandard pay, insufficient equipment and vehicles, no tradition of crime data analysis, and lack of a working forensic lab. These problems in turn lead to recruitment shortfalls, slow response times, an inability to mount proactive strategic interventions and better target limited resources, and a high rate of court dismissals due to improper handling of evidence. At the same time, the court system suffers from significant case backlogs and over-relies on custodial sentences with little or no use of fines, suspended sentences, probation, community service orders, or parole, as well as on the overuse of pre-trial detention. As a result, Guyana has a large prison population relative to its total population, with a prison population rate of 256 per 100,000, which is worse than the world average of 146 per 100,000 population.³ Furthermore, the prison population exceeds the country's prison housing capacity, with an overcrowding rate of 118.5 percent).

People in Guyana tend to trust in their rule of law institutions to an extent similar to the average for Latin America. Figure 4 depicts different measures of perceptions of rule of law institutions such as the justice system and the police and how these institutions perform. The data show that people in Guyana trust in their justice system and police at the same level as people in ROSE and more than people in Latin America. Guyanese are also

Figure 3: Educational Attainment by Persons between 25 and 65 Years of Age



Sources: 2017 Labour Force Survey for Guyana. UNESCO's Statistics on Education 2016 was used for comparison groups. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

In terms of educational attainment, Guyana has some challenges to tackle. As shown in Figure 3, Guyana has lower school attainment than any other comparison group, including Latin America. Guyana's share of individuals between 25 and 65 years old with no education, incomplete primary education, or incomplete secondary education is the highest among all the groups studied. The country also has the lowest share of population between

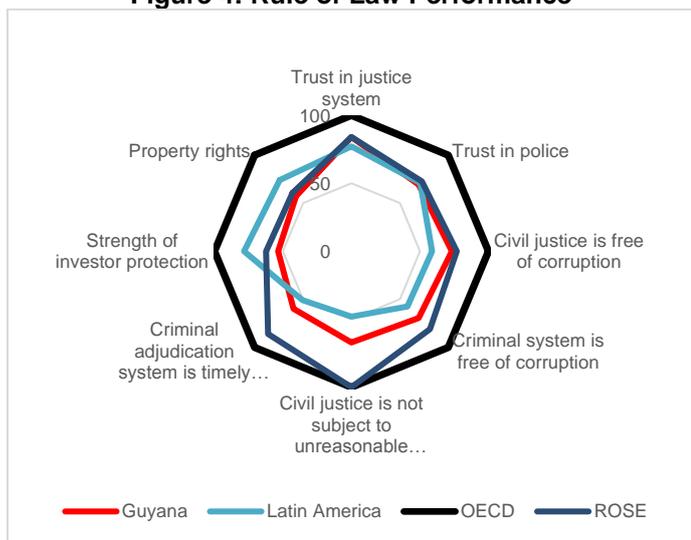
³ See International Centre for Prison Studies, World Prison Population List, Ninth Edition. Other countries in the Caribbean have similar or higher rates, such as The Bahamas (363 per

100,000 population), Barbados (322), Jamaica (145), Suriname (183), and Trinidad and Tobago (258).



more prone to believe that the criminal and justice systems are free of corruption than people in ROSE and the OECD. The only detectable problematic variables with respect to comparison groups are strength of investor protection and property rights.

Figure 4: Rule of Law Performance



Sources: Latin American Public Opinion Project (LAPOP) 2014; World Economic Forum, Global Competitiveness Index 2017–2018; and World Bank, *Doing Business Report 2016*. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Economic Institutions

In Guyana, the two key public institutions that shape economic policy are the central bank (Bank of Guyana), which handles monetary policy, and the Ministry of Finance, which handles fiscal policy. These two institutions guide the economy through budget allocations that establish priorities, invest in infrastructure, and influence macroeconomic variables (inflation, interest rates, exchange rates, employment, growth rates, and levels of public debt).

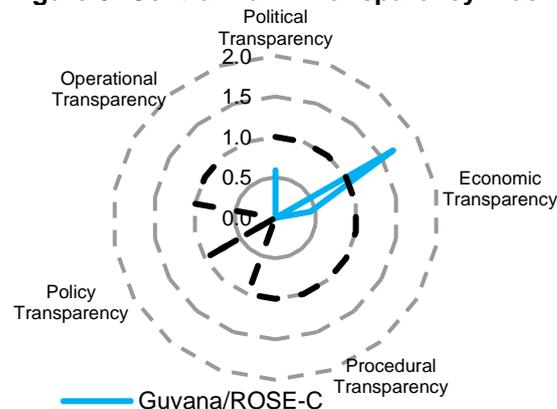
Over time, Guyana has persistently incurred twin fiscal and current account deficits. However, even in times of high commodity exports, Guyana ran deficits. Due to participation in preferential trading arrangements, debt forgiveness, and concessionality in external lending, Guyana has been able to avoid high levels of public debt levels. Considering that the country will become an oil producer in 2020, the ability to prudently manage volatile commodity revenues will be critical.

Fiscal performance depends on institutions that aim to correct incentives and contain overspending. If properly established, fiscal rules and fiscal councils provide a medium-term anchor that enhances the credibility of policies and supports inter-generational

equity. The lack of such institutions makes fiscal mismanagement more likely. Guyana has little experience with these types of institutions, which would increase transparency and credibility, as well as increase awareness of the political and social costs of policies. In addition, the analyses show that the country would greatly benefit from greater comprehensiveness and transparency in the budget. Specifically, while budget allocations and transfers from central to sub-national governments follow a set of criteria and rules, the consolidation of fiscal accounts by sector is absent. Furthermore, Guyana would benefit from enhanced transparency in public procurement processes by increasing the utilization of competitive tenders, recruiting highly qualified procurement staff, and publicizing the information on procurement processes and awarded contracts. The country would also benefit from a more detailed fiscal medium-term framework that allows for planning and budget execution. Effective internal controls are limited, and external scrutiny and audit could be further improved.

The independence and transparency of a central bank influences the credibility of these institutions and their effectiveness in controlling inflation and providing a proper environment for economic growth and prosperity. The Bank of Guyana shows a medium level of independence (ranked 42nd out of 89 countries worldwide) in terms of its ability to implement monetary policies without direct influence from third parties, especially those in the executive or legislative branches. However, Guyana’s transparency levels are relatively low (its overall transparency index score is 2 within a range of 0 to 15, while the score is 11.93 for the OECD and 4.89 for ROSE) (Figure 5). Ensuring the technical and political independence of the Bank of Guyana and transparency in its operations should rank high on the policymakers’ agenda.

Figure 5: Central Bank Transparency Index



Source: Dincer and Eichengreen (2014). Note: ROSE-C: rest of the economies of the world that are commodity-dependent.



Contributors: Henry Mooney and Juan Pedro Schmid

Overview

There is strong and mounting evidence that institutional quality is a major determinant of differences with respect to development outcomes across countries.¹ In this context, strengthening institutions and related capacity should be a central objective of governments and their development partners.

This brief refers to survey results regarding public perceptions of institutions, and the scope for reform. Various sources of information are used as a basis for examining Jamaicans' perceptions regarding the quality and effectiveness of public institutions, and for comparing these perceptions to similar results for advanced, emerging, and peer economies in the region and across the world.

In this context, Jamaicans' perceptions are generally in line with peers. While much progress has been made in recent years towards improving economic policies, financial stability, and related institutions, the country faces important challenges regarding intuitions linked to the rule of law and security that must be addressed to accelerate growth and poverty reduction efforts.

Political Institutions

Jamaica has adopted the Westminster system of government. Following independence in 1962, the constitution established a parliamentary democracy based on the United Kingdom model, as well as a British-style civil service, whereby the public service is officially neutral, and public servants are not affiliated with any political party. As such, political and public institutions in Jamaica are similar to those found in many other Commonwealth and Caribbean countries. As head of state, the British Monarch appoints a governor-general, on the advice of the prime minister, who serves as their representative in Jamaica. Executive power is vested in the Crown, but is in practice exercised by the Cabinet, which is led by the prime minister, currently Andrew Holness.

Free and fair elections are held on a regular basis, as required by the constitution. Elections are constitutionally due five years from the first sitting of Parliament but can be called anytime on the advice of the prime minister. Since 1997, international observers have been present during general elections in Jamaica and have

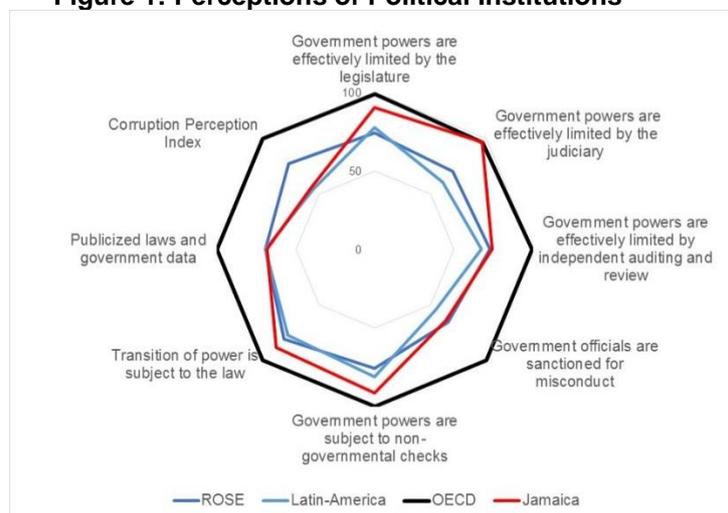
Highlights

- Jamaica inherited the Westminster system and structure of government from the United Kingdom. Elections are free, fair, transparent, and related violence has been decreasing.
- Education and health services are publicly provided, but with considerable participation of the private sector.
- Economic management and policies have improved tremendously in recent years, accompanied by a strengthening of monetary and fiscal institutions.
- However, Jamaicans continue to mistrust institutions related to law and order, the judiciary, and security.

reported only rare and increasingly infrequent incidents of politically motivated violence.

Jamaica's sound political institutions are reflected in perception surveys. Figure 1 presents data extracted from the Latin American Public Opinion Project (LAPOP) Survey, and the World Justice Project's Rule of Law Index. Data suggest that the country performs as well as or better than regional and Latin American peers on almost all indicators, except for the Corruption Perception Index.

Figure 1: Perceptions of Political Institutions



Sources: World Justice Project, 2016 Rule of Law Index; and the Latin American Public Opinion Project (LAPOP) 2014 Survey. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

¹ See the regional brief in this *Quarterly Bulletin* for a detailed discussion on the role of institutions.



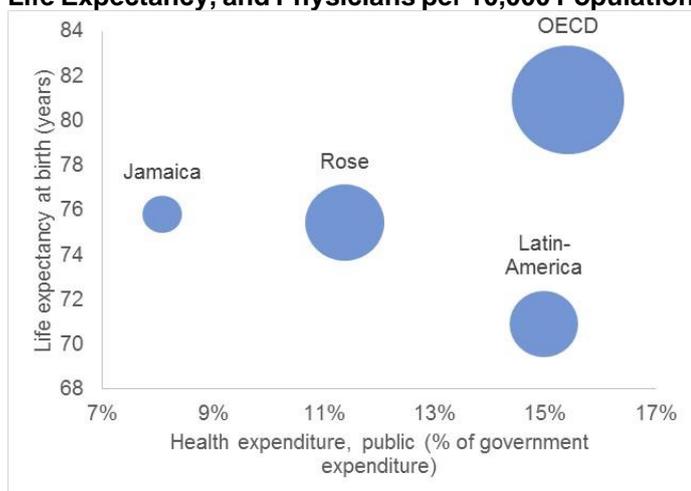
Human Capital

Both health care and education are publicly provided in Jamaica. However, there are important roles for private providers, particularly in the context of health services.

Health

Health services are provided by a network of 348 primary care units, and 24 hospitals. Most providers are public (94 percent of hospital beds), although 75 percent of outpatient care is provided by the private sector. The population can also access private health facilities through out-of-pocket payments. Most services offered by the public sector are free, apart from medicines, for which there are user charges (charges for outpatient and inpatient care were eliminated in 2008). In the early 2000s, the country launched the National Health Fund, which today provides medicines for 15 chronic illnesses.

Figure 2: Relationship between Expenditure on Health, Life Expectancy, and Physicians per 10,000 Population



Source: World Bank. World Development Indicators, 2008 or most recent data available.

The public health system is financed mainly through general taxation. Since 2009, public health spending has averaged 3 percent of GDP—among the lowest levels in the Latin American and Caribbean region. The National Health Fund is financed by a combination of earmarked taxes on tobacco, a special consumption tax, and a 1 percent payroll tax.

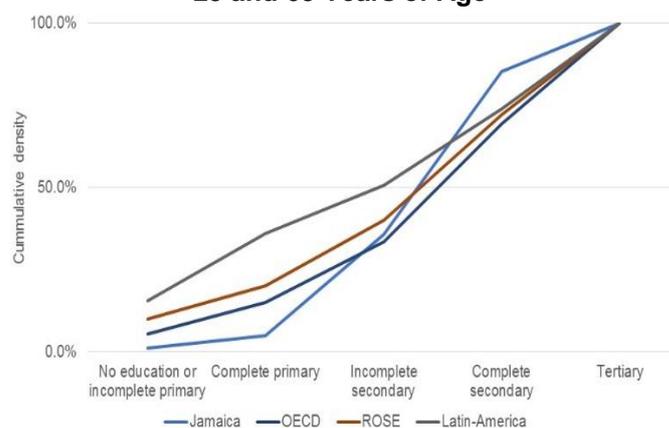
Jamaica faces challenges with respect to institutional capacity in the health sector. Figure 2 shows that life expectancy at birth is more than five years longer than the Latin American average, despite considerably less expenditure on public health than the average Latin American country. However, Jamaica lags considerably

behind more advanced economies, suggesting that more investment in this sector is needed (Campbell 2013). In addition, Figure 2 shows that Jamaica has the lowest physician density of any of the country-based aggregates presented. The size of the bubble in the figure represents the number of physicians per 10,000 population.

Education

Education is provided by a mix of public and private entities. Public education covers the pre-primary, primary, and tertiary levels. Private providers also exist at all three levels. At the pre-primary level, only about 20 percent of institutions are public, although the government aims to increase its presence at this level. At the primary level, approximately 70 percent of institutions are publicly funded. Both pre-primary and primary are provided free of costs, as guaranteed in the Bill of Rights. At the secondary level, most schools (90 percent) are public. There is no cost, but there is an expectation of parents making contributions based on their financial ability. At the tertiary level, government provides a subsidy directly to public institutions, as well as to the regional University of the West Indies (UWI). Students pay in general approximately 20 percent of the costs at this level.

Figure 3: Educational Attainment by Persons between 25 and 65 Years of Age



Sources: Labour Force Survey 2014 for Jamaica. UNESCO's Statistics on Education 2016 was used for comparison groups. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

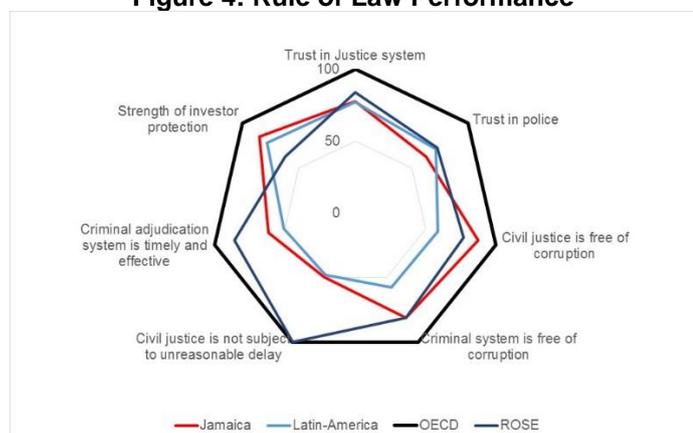
Educational achievement and completion are also key challenges facing Jamaica. As shown in Figure 3, Jamaica displays only modest levels of educational achievement and completion. Among the comparator groups assessed Jamaica has the largest proportion of the population with no education or incomplete primary education.



Rule of Law

The constitution determines roles and procedures related to the judicial system. Based on recommendations of the prime minister, and following consultations with the leader of the opposition, the governor-general appoints key positions such as the chief justice and the president of the Court of Appeal. In terms of judicial institutions, there are several courts: The Judicial Committee of the Privy Council, the Court of Appeal, the Supreme Court, the Revenue Court, the Gun Court, the Traffic Courts, the Family Court, the Magistrate's Courts, and Petty Sessions courts.

Figure 4: Rule of Law Performance



Sources: Latin American Public Opinion Project (LAPOP) 2014; World Economic Forum, Global Competitiveness Index 2017–2018; and World Bank, *Doing Business Report 2016*.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Jamaicans distrust institutions related to policing and, to a lesser degree, the justice system. Figure 4 illustrates different measures of perceptions regarding the rule of law, such as the justice system and police, available from the World Bank's *Doing Business Report*, the World Justice Project's Rule of Law Index, and Latin American Public Opinion Project. Based on these data, Jamaicans appear less confident in their security-related and judicial institutions and outcomes than many citizens of other countries, including in Latin America and the rest of the small economies of the world (ROSE).² However, Jamaica's levels of investor protection appear relatively strong compared to aggregates representing other small and/or Latin-American countries.

² ROSE is a grouping of countries with a population of less than 3 million.

Economic Institutions

Jamaica's economic institutions have been strengthened considerably over the past several years, supporting macroeconomic management. For example, Jamaica is the only country in the region with a legally binding fiscal rule—an impressive policy innovation for a country at this stage of development. The central bank is transitioning towards an inflation-targeting framework, including by shifting from multiple monetary and exchange rate objectives to a focus on price stability, buttressed by efforts to enhance legislative independence. These developments represent a strong commitment to the reform of economic institutions.

Fiscal performance has been shown to improve in tandem with related institutions and policies. Jamaica's fiscal rule targets a public-debt-to-GDP ratio of less than 60 percent by 2026. Along with the policy anchor provided by programs supported by the International Monetary Fund, this fiscal rule and its interim targets have helped the government achieve and maintain primary surpluses of over 7 percent of GDP during the past five years, resulting in rapidly declining public debt ratios. These and related reforms have helped reduce revenue and expenditure gaps, accelerated the collection of arrears, and improved tax filing rates. Furthermore, budgetary practices are now compatible with international standards. Looking forward, these and other institutional innovations should help ensure continued discipline and make it difficult for future governments to revert to less prudent fiscal policies.

The accountant general is currently in charge of monitoring compliance with the fiscal rule. A further enhancement of fiscal institutions could include the establishment of independent fiscal councils, which would increase the transparency, credibility, and public profile of fiscal policy decisions. Similar practices have proven helpful in terms of enshrining prudent fiscal objectives and policymaking, particularly in countries that have succeeded in reducing debt burdens to levels low enough that incentives for continued discipline must be predicated on the need to develop fiscal space and buffers to facilitate future countercyclical policy objectives.

Public procurement could be strengthened. Jamaica could also benefit from enhanced transparency in procurement, including by increasing the utilization of competitive tenders, recruiting and retaining highly qualified staff, and publicizing information on procurement



processes and awarded contracts. In addition, external scrutiny and audit effectiveness could be further improved through the institutionalization of timely follow-up requirements for the auditor general's recommendations.

The independence and transparency of central banks influences their credibility and effectiveness.

The Bank of Jamaica displays some weaknesses in terms of independence when compared to peers—for example, it is ranked 80th out of 89 monetary authorities assessed. In terms of transparency, the Bank of Jamaica's score on the relevant index was 5.5 (within a range of 0 to 15)—significantly below the average of 11.9 for member countries of the Organisation for Economic Co-operation and Development. Recent progress towards a fully functioning inflation-targeting framework should help improve the Bank of Jamaica's effectiveness and operational independence, as the institution shifts from a mixed mandate that includes exchange rate, growth, and employment objectives to one focused on price stability with clear quantitative targets. This has already begun to bear fruit, as inflation was lower than expected at end-2017, and international reserve buffers increased more rapidly than expected through the end of the year, in line with less active intervention in foreign exchange markets.

Looking forward, the Bank of Jamaica should continue to develop technical and operational capacity

to support its new policy regime, and work towards ensuring that its management has the latitude required to achieve targeted outcomes without undue influence from the central government.



SURINAME

INSTITUTIONS AND TRUST

Contributor: Jeetendra Khadan

Overview

The quality of institutions has an important role in determining patterns of development and prosperity around the world. There is a growing body of evidence that suggests that prospects for development and prosperity are greater when there is certainty about the rule of law, economic agents feel secure about their property rights and have recourse to an effective judiciary and political representation, and economic policy is anchored in a sound institutional framework.

Institutions refer to the humanly devised constraints that shape political, economic, and social interaction (North 1991). They can be informal constraints such as sanctions, customs, and codes of conduct, or formal constraints as defined by constitutions, laws, and property rights. Thus, analysing the quality of institutions can be challenging, as it involves an in-depth understanding of the mechanisms, both formal and informal, that influence the quality of their outcomes. Nevertheless, one way to determine how effective institutions are is to assess the extent to which the people they serve trust them.

This brief examines institutions related to politics and governance, human capital, the rule of law, and economic institutions in Suriname. Based on measures of perception and other evidence, it can be observed that institutional performance in Suriname needs to improve for the country to reach international standards. With respect to political institutions, the data show that the public has a relatively high level of trust in most aspects of political institutions. However, relative to other comparator groups, there is room for improvement in publicizing laws and government data, strengthening mechanisms to keep government power in check, and the extent to which the transition of power occurs in accordance with the law. In terms of human capital, while the data show that Suriname has a high literacy rate and ranks high on the United Nations Development Programme's Human Development Index, there are some key areas in the health and education sectors that require policy attention. These relate to improving the quality of inputs, such as increasing and better targeting public expenditure on health and education, enhancing physical infrastructure and upgrading institutional mechanisms to increase efficiency and productivity, and increasing access to higher levels of training and education that are relevant to Suriname's labour market needs. With respect

Highlights

- *Suriname already has a strong election process, but improvements in some key areas could further strengthen political institutions.*
- *Improving targeted public spending on health and education leads to more desirable social outcomes.*
- *Suriname has relatively low levels of serious crimes, but its judiciary nevertheless lacks adequate personnel to deliver timely justice.*
- *Economic institutions are undergoing reforms that, once successfully implemented, should serve to enhance macroeconomic stability in the medium to long term.*

to the rule of law, there is already a relatively high level of trust in the justice system, which is accompanied by relatively low levels of serious crimes. However, addressing challenges related to the shortages of judicial staff and the general ineffectiveness of the judiciary could help ensure that justice is delivered in a timely manner. The weaknesses that exist in fiscal institutions are being addressed through several proposed reforms. The extent to which these are successfully implemented should help to improve macroeconomic stability. Some information to compute measure of independence and transparency of the central bank is not publicly available, but the insights into its independence and transparency from the Central Bank Act of Suriname reveal that there is room for improvement.

Political Institutions

Suriname follows a presidential system with parliamentary supervision. The legislative branch is the National Assembly (DNA), which is a unicameral legislature and represents the highest organ

of the state. Executive power is vested in the president, who is the head of state and government, chairman of the Council of State and the Security Council, and commander-in-chief of the armed forces. The president and vice-president are not elected directly by the electorate as in most fully presidential systems. After national elections, the parliament convenes to elect a president and vice-president for a five-year term. If two-thirds of the National Parliament fails to elect a president and vice-president, then a United People's Assembly is convened at which a simple majority vote is needed to elect them.¹

National elections are held every five years to elect members to the National Parliament. Members of the

¹ The United People's Assembly consists of all elected officials of the National Assembly, and regional and municipal representatives.



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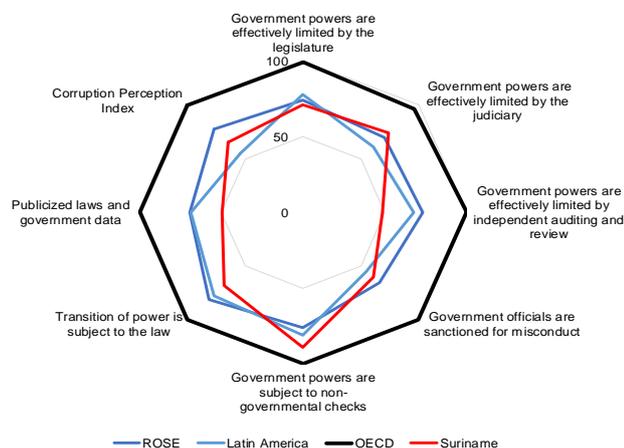
INSTITUTIONS AND TRUST

National Parliament are elected to represent constitutionally defined geographical areas. Elections are supervised by the Independent Electoral Council of Suriname. After its election observer mission in 2015, the Organization of American States noted that a strong election process already exists in Suriname, but it also identified areas for improvement. These areas are related to apportionment of the average number of people represented in each electoral district, organization of the electoral process, transmission and processing of election results, campaign financing, women's participation, and strengthening of legal remedies to address disputes (OAS, 2015).

Suriname had some experiences with military rule from 1980 to 1990. However, since 1991 the country has successfully conducted six national elections with a relatively smooth transition of power.

Legislative oversight of the executive comes in two main forms. First, the president is required to address the DNA about government policies on the first working day of October each year. Second, the government is required to provide information to the National Assembly either in writing or orally when requested. Moreover, parliamentary debates are broadcast live on national media.

Figure 1: Perceptions of Political Institutions



Sources: World Justice Project, 2016 Rule of Law Index; and the Latin American Public Opinion Project (LAPOP) 2014 Survey. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Nevertheless, it appears that the people of Suriname have less trust in the mechanisms that limit government power than do the people of Latin America and the rest of the small economies of the

world (ROSE).² Figure 1 presents data about perceptions on different variables extracted from the Latin American Public Opinion Project (LAPOP) Survey and the World Justice Project's Rule of Law index. The data show that the areas where Suriname does worse than all the comparison groups are publicized laws and government data, the incapacity of independent auditing mechanisms to limit government powers, and the extent to which the transition of power is subject to the law. On the other hand, there is a greater perception in Suriname that the judiciary or non-governmental agencies can limit government power in a more effective way than in Latin America and ROSE.

Human Capital

Health

Suriname has some work to do in the areas of health and education.³ In terms of healthcare, Suriname's population can access a mix of public and private healthcare services. The country's healthcare system is highly segmented. Primary healthcare is administered by Medical Missions (MZ) in the interior, Public Health Services (RGD) in rural coastal areas, and either general practitioners or Regional Health Services in more densely populated urban areas. Patients in the interior are usually flown to Diakonessenhuis Suriname, a private (Christian) hospital in Paramaribo, or to government hospitals: Academisch Ziekenhuis (AZP) or the "sLands" Hospitaal (LH). Several non-governmental organizations also provide a range of health services to targeted segments of the population (Goede 2014).

Financing of healthcare comes from various sources. In 2014, the government's contribution was 52 percent and private expenditure accounted for the remaining 48 percent of healthcare financing. As a share of private health expenditure, out-of-pocket expenditure is estimated to be 24 percent, according to the World Bank's 2017 World Development Indicators. The Ministry of Health receives its budgetary allocation from the Ministry of Finance to carry out its operations and support several institutions that provide healthcare to the public.

The health sector faces some key challenges. There are acute shortages of healthcare professionals and infrastructural gaps. The areas of specialty where shortages exist include heart surgeons, neurosurgeons, neurologists, and dental surgeons (IDB 2016). It is estimated that because of obsolete medical equipment and old infrastructure, primary health centres operate at 25 percent of their capacity. Moreover, a limited health

² ROSE is a grouping of countries with a population of less than 3 million.

³ Based on World Bank's World Development Indicators, UNESCO, and Suriname's 2016 Survey of Living Conditions.



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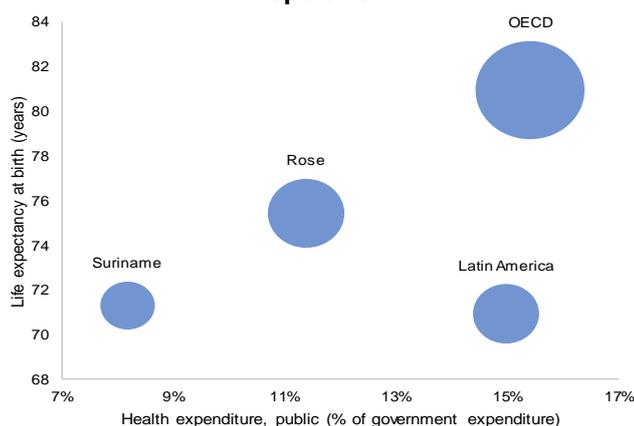
INSTITUTIONS AND TRUST

information management system also restricts assessment and tracking of the productivity and performance of healthcare providers.

Suriname spends less than comparator regions on healthcare and has lower health outcomes.

Suriname's public health expenditure as a percentage of GDP is estimated at 2.9 percent, lower than the average for Latin America (4.3 percent), ROSE (4.6 percent), and member countries of the Organisation for Economic Co-operation and Development (OECD) (6.5 percent) (Figure 2). Associated with low health expenditure is a relatively poorer quality of healthcare. Life expectancy, an indicator that is correlated with well-being, is lower than the average for other regions: Suriname's life expectancy at birth is 71.3 years, which is higher than the average for Latin America (70.9) but lower than the OECD (80.9) by 9.7 years and ROSE (75.6) by 4.2 years (Figure 2). A similar pattern emerges for infant mortality in Suriname, which is 19 per 1,000 live births, higher than the averages for Latin America (15.1) and the OECD (3.9). Suriname's adolescent fertility rate is 45.7 per 1,000 women ages 15–19, higher than the averages for ROSE (40) and the OECD (12), but significantly lower than the average for Latin America (64.8). Moreover, as shown by the size of the bubbles in Figure 2, the number of physicians per 10,000 population in Suriname is less than the average in Latin America, ROSE, and the OECD.

Figure 2: Relationship between Expenditure on Health, Life Expectancy, and Physicians per 10,000 Population



Source: World Bank. World Development Indicators, 2016.
Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Education

The school system in Suriname consists of four levels: pre-primary, primary, junior secondary, and senior secondary. Suriname has 336 primary schools (323 of

which include pre-primary), 112 junior secondary schools, and 30 senior secondary schools. Most schools are located along the urban and rural coast. In the interior, there are 81 primary schools (77 of which include pre-primary), six junior secondary schools, and no senior secondary schools (Gardiner and Stampini 2013). Currently, 95.4 percent of children of primary school age are enrolled in primary or secondary school, compared to 78 percent in 1999 (IDB 2016).

Primary education is free and compulsory for children from ages 7 to 12. It is financed by the government (51 percent), religious bodies (48 percent), and private institutions (1 percent) a tuition fee is paid for the latter (UNESCO 2004). Tuition in private schools is also generally supported by the government. Financing for higher education is covered by the national budget, but does not allow for expansion, new research activities, or basic maintenance of existing infrastructure (2014 Suriname Strategy Document).

Education expenditure is relatively low and is associated with capacity constraints at the Ministry of Education. Education expenditure is estimated to be 5.8 percent of GDP, compared to 13.13 percent in Latin America, 12.8 percent in ROSE, and 17.2 percent in the OECD. Key units such as those responsible for curriculum, research and planning, and information and communications technology are reported to be understaffed and to lack the training and equipment necessary to efficiently perform their functions (Jabbar 2014).

School dropout rates for primary and secondary are higher than in comparator regions, yet Suriname's adult literacy rate is high. The male dropout rate (34.6 percent) is higher than in Latin America (23.5 percent), ROSE (15.9 percent), and the OECD (3.9 percent). The female dropout rate (15.5 percent) is higher than in ROSE (13.2 percent) and the OECD (3.6 percent), but lower than in Latin America (22.4 percent). Despite Suriname's relatively higher dropout rates, its adult literacy rate of 95.6 percent is better than the rates for Latin America and ROSE, but lower than that for the OECD, according to the World Bank's 2017 World Development Indicators.

In terms of educational attainment, Suriname has some challenges to tackle. As shown in Figure 3, Suriname has lower school attainment than any other comparator group: the share of persons between 25 and 65 years old with no education or incomplete primary or secondary education is the largest among all the regions studied. The country has the second lowest share of population with tertiary education (12 percent of persons 25 to 65 years old) across the Caribbean-6 group (The

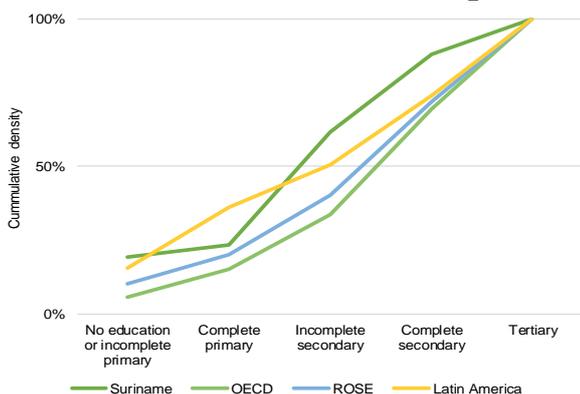


SURINAME

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Bahamas, Barbados, Guyana, Jamaica, Trinidad and Tobago, and Suriname).

Figure 3: Educational Attainment by Persons between 25 and 65 Years of Age



Sources: Survey of Living Conditions 2017 for Suriname. UNESCO's Statistics on Education 2016 was used for comparison groups.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Rule of Law Institutions

Suriname's constitution provides for an independent judiciary and public prosecution entity. The government is responsible for appointing members of the judiciary and a procurator general in consultation with the High Court of Justice. The court system in Suriname consists of three cantonal courts, a court of justice, which is the highest court in the land, and other special courts including the martial court. In terms of law enforcement, the police force (Korps Politie Suriname) falls under the remit of the Ministry of Justice and Police, with the chief of police appointed by the country's president. As in other Caribbean countries, none of the above-mentioned institutions have budgetary independence.

Serious crime is not a major problem in Suriname as it is in other Caribbean countries. The intentional homicide rate is 10.7 per 100,000 population in Suriname compared to 22.3 in Latin America and the Caribbean, 31 in Trinidad and Tobago, and 43.2 in Jamaica. However, there have been recent increases in serious crimes. For example, over the period from 2008 to 2016, the number of annual cases of qualified theft reported increased from 1,742 to 4,206, an increase of 141 percent. Homicides increased by 78 percent: from 23 in 2008 to 41 in 2016, and theft also rose by 11 percent over the same period. However, during the same period there were declines in the number of reported cases of robberies (33 percent), domestic violence (25 percent), burglary (22 percent), and

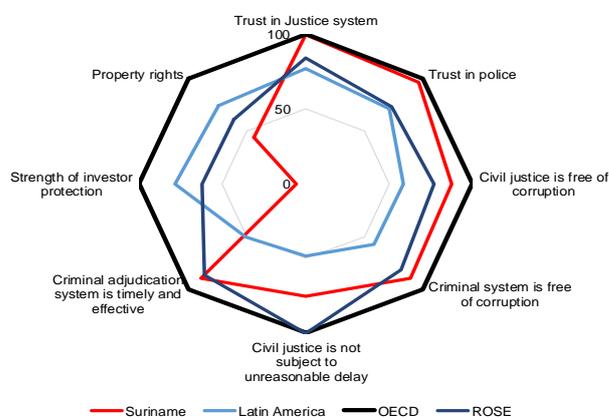
armed robberies (7 percent), according to the Ministry of Police and Justice.

Complaints of abuse against the police show a downward trend in the past few years. The Personnel Investigation Department (OPZ), which falls within the ambit of the police department, is responsible for investigating complaints by citizens against members of the police force. The OPZ received 94 complaints from the public against police officers in the first nine months of 2016, about 50 percent fewer than during a similar period in 2014 (Human Rights Report for Suriname, 2014 and 2016).

Nevertheless, the judiciary faces some challenges in the delivery of timely justice. It is reported that shortages of judges and the general ineffectiveness of the judiciary are among the main factors that have contributed to a backlog of cases and lengthy pre-trial detentions (U.S. Department of State 2015).

Despite some challenges, people in Suriname tend to trust in their rule of law institutions. Figure 4 shows different measures of perceptions about rule of law institutions such as the justice system and the police and how these institutions perform. The data show that people in Suriname trust their justice system and police more than people in ROSE and Latin America, on average, and that they are more prone than people in Latin America and ROSE to believe that the criminal and justice systems are free of corruption. The only detectable variables that lag significantly behind with respect to comparison groups are strength of investor protection and protection of property rights.

Figure 4: Rule of Law Performance



Sources: Latin American Public Opinion Project (LAPOP) 2014; World Economic Forum, Global Competitiveness Index 2017–2018; and World Bank, *Doing Business Report 2016*.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.



Economic Institutions

Strong fiscal institutions are important for macroeconomic stability. Fiscal performance worldwide has been shown to improve with the existence of institutions that aim to correct incentives and contain overspending. If properly established, fiscal rules and fiscal councils provide a medium-term anchor that enhances the credibility of policies and supports inter-generational equity. The lack of such institutions makes fiscal mismanagement more likely.

Suriname has little experience with these types of institutions but is taking steps to strengthen its fiscal framework. After the 2015 commodity, the government of Suriname has outlined several measures to strengthen key aspects of fiscal institutions that should serve to support macroeconomic stability in the medium to long term. Among the main reforms are the imposition of limits on debt obligations, the passing of legislation to establish a Savings and Stability Fund in 2017, and the proposed implementation of a value-added tax in 2018, along with other tax administration reforms to strengthen revenue collection from the non-mining sector.

Independence and transparency of central banks can influence their credibility and effectiveness. However, in the case of Suriname, not all relevant information needed to rate these attributes within an objective and internationally comparable framework for the Central Bank of Suriname (CBvS) is publicly available. Nevertheless, the Central Bank Act of Suriname of 1956 provides some insights into the bank's independence from political influence (Central Bank Act of Suriname, 1956, as amended in 2010).⁴ The governor of the CBvS is appointed by the president of Suriname. If opinions on monetary and financial policies differ between the governor and the Minister of Finance, the Central Bank Act states that "the Minister (of Finance) shall instruct the Governor in writing to achieve the prescribed goal," which must be done in compliance with the provisions and objectives of the Central Bank Act. The governor is then obliged to follow these directions unless they contradict some specific provisions of the Central Bank Act. The governor may be dismissed if he or she refuses to or intentionally neglects to obey one or more of the government's instructions.

With respect to monetary financing, the Central Bank Act states that the CBvS "is obliged in each case as the Minister of Finance shall deem this necessary for temporary reinforcement of the Treasury, to grant the

State advances in current account secured by treasury bills, the issue or pledging of which is permitted under the law. At no point shall these advances total more than 10 percent of the estimated revenue of the Government as budgeted for the current financial year."

There is also room for improvement in policy transparency. Although the CBvS has improved data availability on core monetary aggregates, it needs to publish more timely reports, such as monetary policy reports, economic bulletins, and annual economic reports, as do other central banks worldwide and within the Caribbean. Therefore, improving the technical and political independence of the CBvS and the transparency of its operations should rank high on the policymakers' agenda.

⁴ Available at: <https://www.cbvs.sr/en/acts/653-central-bank-act-1956-as-amended-in-2010>

TRINIDAD AND TOBAGO INSTITUTIONS AND TRUST

Contributors: Jeetendra Khadan and Lodewijk Smets

Overview

The importance of economic and political institutions to development outcomes is becoming increasingly apparent. Institutions shape the social and economic incentives of citizens and (political) organizations. There is strong and mounting evidence that institutional quality is a major determinant of growth and development outcomes across countries.¹ In this context, strengthening institutions and the related capacity should be a central objective of governments and their development partners.

This brief offers an overview of the main political and economic institutions in Trinidad and Tobago and analyses how they are perceived by the public. To do so, data from recent opinion surveys are explored to understand how people perceive the performance of different institutions. Results for Trinidad and Tobago are contrasted with comparator regions such as the rest of the small economies of the world (ROSE), Latin America, and the Organisation for Economic Co-operation and Development (OECD).

Political Institutions

Trinidad and Tobago functions as a parliamentary democracy. In line with its British colonial legacy, Trinidad and Tobago's legislative branch consists of a bicameral Parliament. The House of Representatives is composed of 41 members while the Senate has 31 members. Members of Parliament are elected to serve five-year terms, while the members of the Senate are appointed by the prime minister and the leader of the opposition. The head of state is the president, who generally serves two five-year terms. Most of the executive power lies with the prime minister and the Cabinet.

Trinidad and Tobago enjoys peaceful transitions of power. Except for an attempted coup in July 1990, transition of power in Trinidad and Tobago is governed by free and fair elections. The current prime minister, Keith Rowley, leader of the People's National Movement (PNM) Party, took office in 2015. The main political parties draw on ethnic support, which runs the risk of identity voting during election times.

Parliament is considering greater autonomy for Tobago. Tobago currently has the status of a ward within Trinidad and Tobago, with limited powers (Oxford Business Group, 2017). However, a draft bill has been accepted by the Tobago House of Assembly (THA) and sent to Parliament for discussion. If approved by

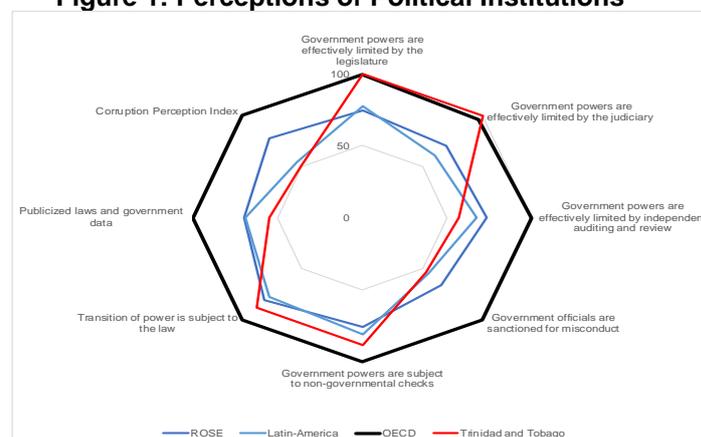
¹See the regional brief in this *Quarterly Bulletin* for a detailed discussion on the role of institutions.

Highlights

- *Trinidad and Tobago has a functioning parliamentary democracy, but corruption and fairness concerns affect the country.*
- *Elevated spending on health and education has not fully translated into high human capital outcomes.*
- *Crime and insecurity remain a major challenge.*
- *There is room to improve fiscal policies and the functioning of the Central Bank.*

Parliament—which requires a two-thirds majority—the bill would grant Tobago equal status with Trinidad and expand the THA's executive and legislative powers.

Figure 1: Perceptions of Political Institutions



Sources: World Justice Project, 2016 Rule of Law Index; and the Latin American Public Opinion Project (LAPOP) 2014 Survey. Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Surveys show mixed views about the functioning of political institutions and government performance. Perception surveys conducted in 2014 and 2016 indicate that people in Trinidad and Tobago believe that several checks and balances—i.e., the legislature, the judiciary, and the law—limit government powers. However, more so than in the comparator regions, the public in Trinidad and Tobago perceives that government officials are less sanctioned for misconduct. Finally, the perception of corruption is higher for Trinidad and Tobago than for ROSE, Latin America, and the OECD (Figure 1).

Human Capital

Health and education are major expenditure items in the government's budget. Between 2005 and 2015, TTD 40 billion was spent on healthcare. In the 2017 budget, TTD 5.7 billion was reserved for healthcare spending, up

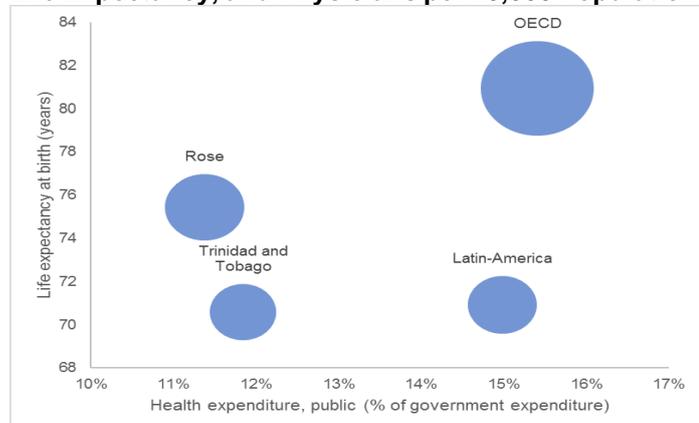
TRINIDAD AND TOBAGO INSTITUTIONS AND TRUST

from TTD 5.2 billion the previous year. As such, the health sector receives the third largest allocation in the national budget. The education sector was allocated TTD 7.2 billion in FY 2017. With roughly 10 percent of the national budget, the education sector receives the second-highest allocation, just behind national security.

Health

Healthcare services are provided by public and private institutions. The public health sector is comprised of 10 hospitals, 97 health centres, and nine district health facilities. Currently, there are 2.7 hospital beds per 1,000 population, which not only puts Trinidad and Tobago well above its Latin America and Caribbean counterparts, but just below the United States, which has 2.9 hospital beds per 1,000 population. The country's 47.4 healthcare workers per 1,000 population is on par with Mexico. It is important to note that citizens of Trinidad and Tobago increasingly seek treatment outside the public health service. In 2014, 46.5 percent of health spending was in the private sector. Furthermore, for some complex cases – e.g., bone marrow transplants – treatment needs to be sought overseas.

Figure 2: Relationship between Health Expenditure, Life Expectancy, and Physicians per 10,000 Population



Source: World Bank. World Development Indicators, 2016.

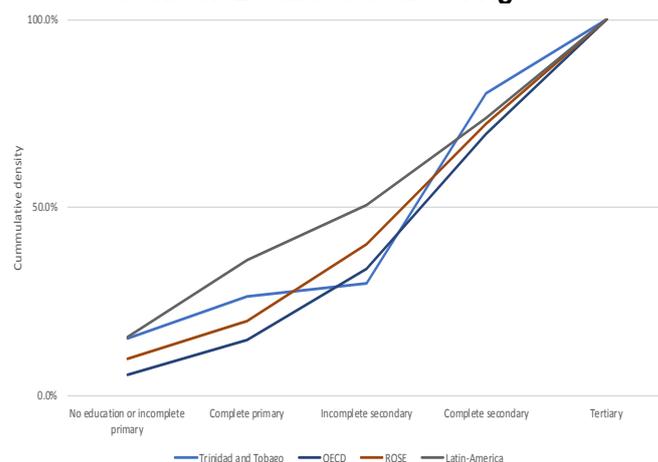
Elevated spending on health has not fully translated into high human capital outcomes. Figure 2 measures life expectancy at birth on the vertical axis, while the size of the bubbles represents the number of physicians per 10,000 population. At 70.6 years, life expectancy at birth in Trinidad and Tobago is lowest among the comparator groups (also compared to the Caribbean-6,² whose figures are not reported here). Rapid increases in non-communicable diseases – which are the main cause of

death in Trinidad and Tobago – combined with high murder rates may explain part of that puzzle.

Education

Trinidad and Tobago offers free education from the pre-primary to the tertiary level. Of the 895 primary and secondary schools, just over half are managed by religious orders while being funded by the government. A further 37 percent are run and owned by the government and 21 percent are private. At the tertiary level, Trinidad and Tobago hosts three government-funded universities. The largest by enrolment, the University of the West Indies (UWI) St. Augustine Campus, offers post-graduate programs including PhD degrees. The Ministry of Education subsidizes full tuition for low-income households at the undergraduate level.

Figure 3: Educational Attainment of Persons between 25 and 65 Years of Age



Sources: Continuous Sample Survey of Population 2015 for Trinidad and Tobago. UNESCO's Statistics on Education 2016 was used for comparison groups.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

There is room to increase educational attainment. As shown in Figure 3, among persons between 25 and 65 years old, the share with no or incomplete primary education in Trinidad and Tobago (15.4 percent) is higher than in the comparator regions. The net enrolment rate in secondary education is 72.6 percent, with 50.5 percent completing secondary education. Among persons between 25 and 65 years of age, 19.8 percent have completed tertiary education, which puts Trinidad and Tobago above the Latin American average (13.6 percent), but substantially below ROSE (27.9 percent). The World Economic Forum's 2016–2017 *Global Competitiveness*

² The Caribbean-6 includes The Bahamas, Barbados, Jamaica, Guyana, Suriname, and Trinidad and Tobago.

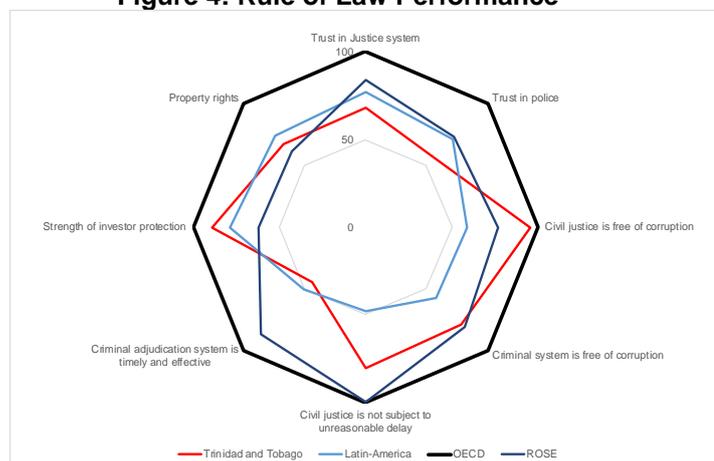
TRINIDAD AND TOBAGO INSTITUTIONS AND TRUST

Report also indicates that the quality of Trinidad and Tobago's education system has declined.

Rule of Law Institutions

The constitution clearly outlines the roles and procedures of the judicial system. The president appoints the chief justice, after consulting with the prime minister and the leader of the opposition. Other judges are also appointed by the president, in accordance with the advice of the Judicial and Legal Service Commission. In terms of judicial institutions, there are several courts, including the Supreme Court (which is made up of the Court of Appeal and the High Court), the Family Court, and the Magistrate's Courts.

Figure 4: Rule of Law Performance



Sources: Latin American Public Opinion Project (LAPOP) 2014; World Economic Forum, Global Competitiveness Index 2017–2018; and World Bank, *Doing Business Report 2016*.

Note: OECD: Organisation for Economic Co-operation and Development; ROSE: rest of the small economies of the world.

Crime and insecurity remain a major challenge in Trinidad and Tobago. Murder rates have been continuously on the rise over the past four years. There were 494 murders in 2017, up from 403 in 2014. With 60 killings, January 2018 was the bloodiest month in the history of Trinidad and Tobago. Furthermore, almost one out of two women in Trinidad and Tobago have faced some form of violence in their lifetime. The high incidence of crime and violence has been linked to drug-related activities, limitations in enforcing the law, and the lack of credibility of the police force.

Perception surveys show mixed views about the functioning of rule of law institutions. Figure 4 reports different perceptions related to rule of law institutions such as the judicial system, the police force, and investor protection. The figure shows that the public in Trinidad and Tobago has confidence in the judicial system but low trust

in the police force, both in absolute terms and compared to other regions.

Economic Institutions

Trinidad and Tobago produces budget statements and monitors fiscal performance, but has little experience with rules for medium-term fiscal planning. Fiscal performance worldwide has been shown to improve with the existence of institutions that aim to correct incentives, contain overspending and allow for medium-term fiscal planning. At present, the authorities produce projections for revenues, expenditures and the fiscal balance at the start of the fiscal year. Fiscal performance during the year is monitored and evaluated by the Ministry of Finance. On the other hand, fiscal planning is not typically done within in a multi-year macroeconomic framework. Relatedly, medium-term forecasts of important macroeconomic aggregates are lacking. Therefore, the country would benefit from a more detailed medium-term framework that allows for fiscal planning and budget execution.

Public procurement could be strengthened. Trinidad and Tobago could benefit from enhanced transparency in public procurement processes by increasing the utilization of competitive tenders, improving staffing, and publicizing the information on procurement processes and awarded contracts. The recent appointment of a Procurement Board is an important step in strengthening public procurement processes.

The Central Bank of Trinidad and Tobago is in the process of improving its transparency and accountability. The way central banks are governed influences the credibility of these institutions and their effectiveness in controlling inflation and providing a proper environment for economic growth and prosperity. The 2016-2020 strategic plan of the Central Bank of Trinidad and Tobago includes as an important pillar the strengthening of governance, transparency and accountability. The Central Bank of Trinidad and Tobago has made noteworthy progress in this respect, especially in the area of operational efficiency. Data for the year 2010 show however that improvements can be made to ensure central bank independence (Dincer and Eichengreen, 2014).



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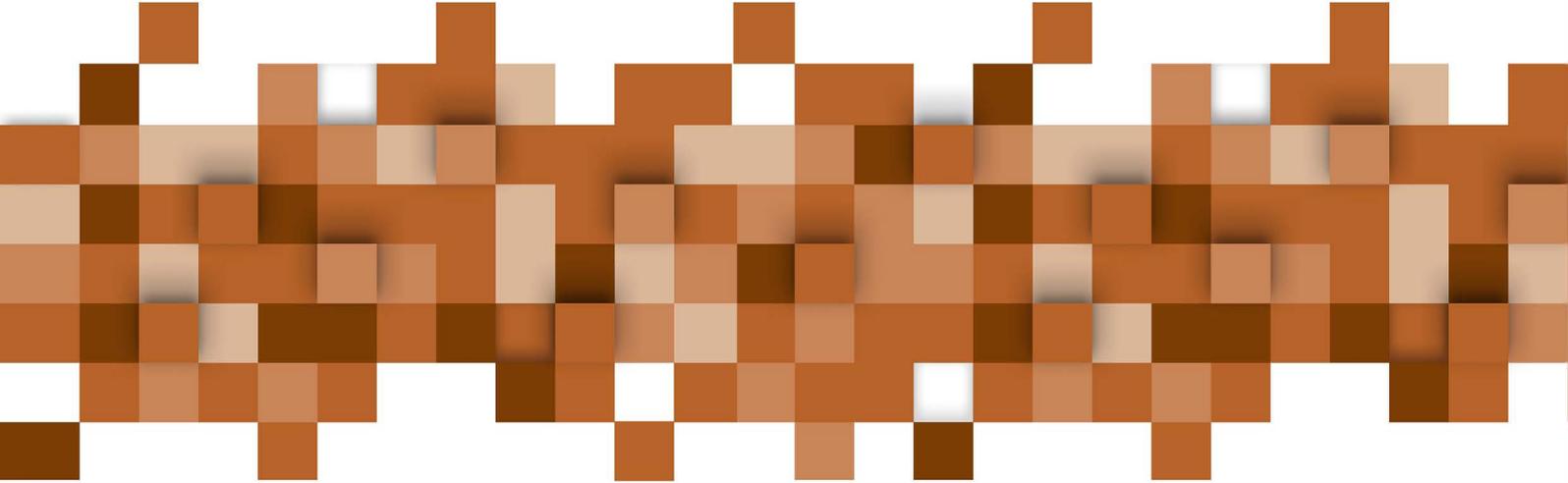
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