

Approach Paper

Bahamas 2010-2017

Country Program Evaluation



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ACRONYMS AND ABBREVIATIONS

BEC	Bahamas Electricity Corporation
CPE	Country Program Evaluation
CS	Country Strategy
CS 2010	Country Strategy 2010-2015
CS 2013	Country Strategy 2013-2017
FDI	Foreign Direct Investment
FIIs	Financial Intermediaries
GDP	Gross Domestic Product
IMF	International Monetary Fund
IDB	Inter-American Development Bank (the Bank)
IDBG	Inter-American Development Bank Group
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund
NSG	Non-Sovereign Guaranteed
OVE	Office of Evaluation and Oversight
PBL	Policy-based Loan
PFM	Public Financial Management
SG	Sovereign Guaranteed
SMEs	Small and Medium-Sized Enterprises
TC	Technical Cooperation
TFFP	Trade Finance Facilitation Program
WDI	World Bank Development Indicators
WEO	World Economic Outlook
WSC	Water and Sewerage Corporation
WTO	World Trade Organization

I. INTRODUCTION

- 1.1 **As part of its 2016-17 work plan, the Office of Evaluation and Oversight (OVE) is preparing the evaluation of the Inter-American Development Bank Group's (IDBG) country program with The Bahamas for the period January 2010–June 2017.** This paper sets out the proposed approach and methodology for the planned Country Program Evaluation (CPE), OVE's third occasion for the country. As indicated in the Bank's Protocol (RE-348-3), the main function of a CPE is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." Like other CPEs, this evaluation will seek to examine IDB's relationship with the country from an independent perspective. It aims both to strengthen accountability and facilitate learning and serve as an input to the new country strategy that is under preparation for 2018–2022.

II. CONTEXT OF THE COUNTRY PROGRAM

- 2.1 **The Bahamas poses a unique challenge to the Bank.** Although the country is fairly prosperous, its high levels of human development and per capita GDP¹--both among the highest of IDB borrowing member countries--mask important structural, economic, and social challenges faced by a developing country, including significant income inequality, high unemployment, a weak skills base, an inefficient public sector, and inadequate infrastructure. The Bahamas is the only archipelagic nation in the English-speaking Caribbean.² Because of its nature (700 low-lying islands, 80% of which are less than one meter above sea level) and location, the country is increasingly affected by climate change and is subject to repeated natural disasters.³ An estimated 82% of the population is concentrated on the islands of New Providence and Grand Bahama; the balance is distributed across 30 Family Islands. Such dispersion creates challenges for transportation, public administration, and employment. Indeed, existing pockets of poverty in the Family Islands place a severe strain on public services such as health, education, and law enforcement. With a total population of 369,700 in 2015⁴ the internal market of The Bahamas is small, its productive base is narrow and unable to benefit from economies of scale, and its regulatory environment is weak in important sectors. Addressing these environmental, social, infrastructure, and policy issues will require the sustained effort of the Bank in support of the public and the private sectors.
- 2.2 **Tourism and financial services are the largest sectors of the economy.**⁵ Tourism, together with tourism-driven construction and manufacturing, contributes roughly 60% to

¹ According to the WEO databank of the IMF, the per capita GDP was US\$24,310 in 2014, and the country ranked 58 of 188 countries in the Human Development Index.

² Its maritime territory is vast and covers approximately 668,600 km² of the Atlantic Ocean.

³ The Bahamas Environment, Science and Technology Commission. "First National Communication on Climate change." Nassau: 2001

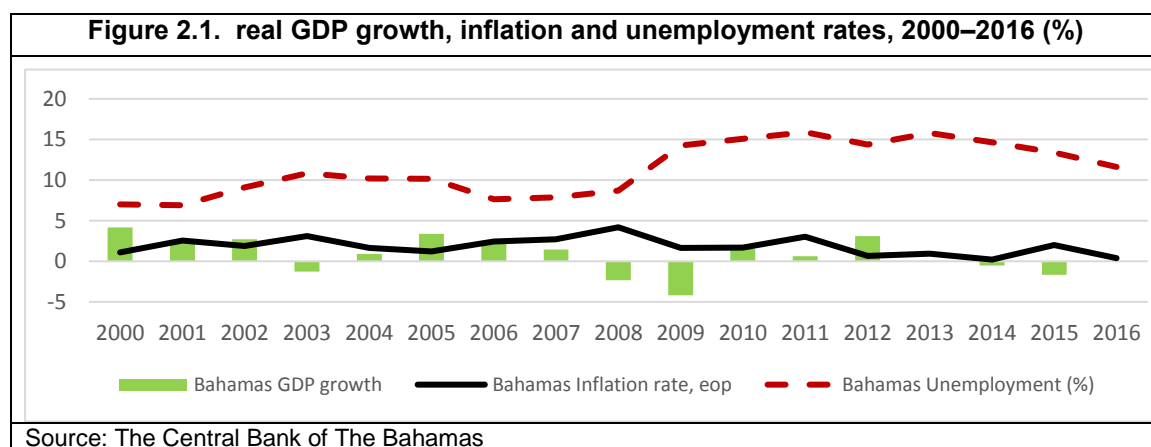
⁴ Department of Statistics of The Bahamas. The Commonwealth of the Bahamas, Population Projections 2010-2040, March 2015.

⁵ Other services, particularly government services, account for nearly 30% of GDP. Manufacturing and agriculture together contribute approximately 10% to GDP. Most agricultural production is consumed domestically, and diversification efforts have been slow to materialize

GDP, employs half of the labor force,⁶ and accounts for about 30% of government revenue. An uncertain future relates to the cost structure of the industry relative to competitors, skills deficiencies, and potential environmental problems. Nevertheless, the potential growth of tourism in the Family Islands and ecotourism is considerable.⁷ The financial services sector contributes some 15% to GDP and employs about 6,500 people. Like other offshore financial centers, The Bahamas has been impacted by global “de-risking” trends that have resulted in additional scrutiny of financial institutions and some interruptions in correspondent banking relations.⁸

A. Recent economic developments⁹

2.3 **Economic growth has slowed considerably over the past 15 years, reflecting a deterioration in total factor productivity.**¹⁰ GDP growth averaged less than 0.6% a year over this period, barely exceeding population growth and leading to a doubling of the unemployment rate over the past decade (to 14%-15%, Figure 2.1), although there are some signs of a recovery.¹¹ High unemployment placed pressure on the social safety net, which led to a corresponding decline in a number of social indicators. In addition, structural obstacles, including the mismatch of skills in the labor market, hampered economic activity by creating a poor business environment. For example, The Bahamas’ rankings in the World Bank Doing Business Report fell considerably, from 68th of 189 countries in the 2010 Report to 121st of 190 in the 2017 Report. While the country has relatively strong performance in enforcing contracts and resolving insolvency, it ranks comparatively low in registering property (166), trading across borders (152), getting credit (139), protecting investors (118), and getting electricity (116). Important structural reforms are needed to reverse these problems. In addition, rising violent crime and theft seriously affect the business environment and tourism prospects (see below).



⁶ World Factbook <https://www.cia.gov/library/publications/the-world-factbook/fields/2116.html>.

⁷ Growth of tourism slowed after the Great Recession, but it has seen some recovery more recently, to 2.7% in 2016 and a similar rate is expected in 2017.

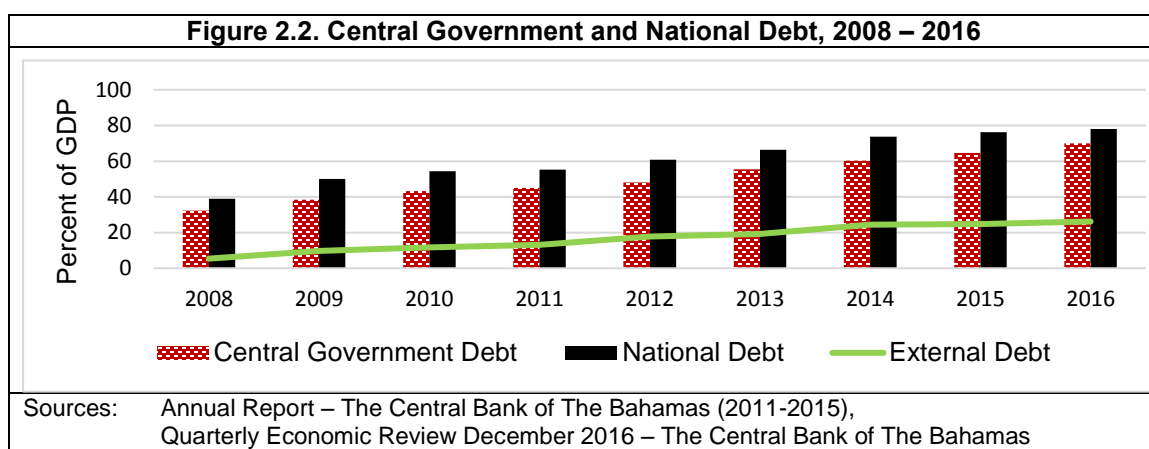
⁸ Central Bank of The Bahamas, Financial Stability Report, January-June 2015.

⁹ See Annex 1 for Selected Economic Indicators.

¹⁰ IMF staff report for the 2016 Article IV consultation.

¹¹ Buoyed by growth in hurricane-related construction jobs, preliminary data from the Department of Statistics’ Labour Force Survey showed that the estimated unemployment rate fell to 11.6% at November 2016.

- 2.4 **Sluggish economic activity combined with increased government spending¹² led to an increase in gross central government debt from under 30% of GDP in 2007 to 69.9% at end-2016 (Figure 2.2),¹³ and a gradual downgrading of the Bahamas' credit rating.¹⁴** Government-guaranteed debt of public corporations (such as BEC, WSC, the Mortgage Corporation, and the Educational Loan Authority) has also grown rapidly. When this debt is included, total national debt stood at approximately 77.9% of GDP at end-2016. In these circumstances, the government has been engaged in fiscal consolidation, reducing the overall government deficit from a peak of 6.4% of GDP in 2012/13 to 3.5% in 2015/16 (Annex 2). Despite further expenditure increases, the lower overall deficit reflected an increase in revenue of more than four percentage points of GDP due to the smooth implementation of a 7.5% VAT (introduced on January 1, 2015) and other tax reforms.



- 2.5 **The traditionally large external current account deficits have generally been financed by foreign direct investment (FDI) inflows.** As FDI inflows declined in recent years (Annex 3), government borrowing has been partly used to support international reserves. Still, reserves dropped from 3.6 months of import coverage at end-2007 to roughly 2.5 months by end February 2017, a ratio that is lower than desired given the country's vulnerability to external shocks and volatile FDI. According to the International Monetary Fund (IMF), the real effective exchange rate remains broadly in line with prudent macroeconomic fundamentals, and there is no significant misalignment.
- 2.6 **Important weaknesses in the Bahamian Public Financial Management (PFM) system undermine the integrity of financial reporting and spending quality.** Moreover, capital budgeting is not integrated into the annual budget planning process and there is no legal framework for monitoring the implementation of policy priorities. The authorities are modernizing the PFM system, but further efforts to improve reporting and expenditure discipline.

¹² One of the main factors affecting the fiscal situation was elevated current spending, which increased 1.87 percentage points of GDP between 2010-2013, while capital expenditures rose 0.86 percentage points.

¹³ Figures in this paragraph are mostly derived from The Central Bank of The Bahamas, Quarterly Economic Review, December 2016.

¹⁴ S&P has downgraded The Bahamas markedly since the Great Recession, from A- with a stable outlook in January 2008 to BB+ (just below investment grade) with stable outlook in December 2016. Similarly, Moody's ratings have been reduced to Baa3 (just above investment grade) with stable outlook.

B. Development challenges

- 2.7 **According to the Human Development Report 2016, The Bahamas' Human Development Index was 0.792 in 2015, above the average of 0.746 for countries in the high human development group and above the average of 0.751 for countries in Latin America and the Caribbean (LAC).**¹⁵ While this report ranked The Bahamas 58th out of 188 countries, it marks a considerable decline from 43rd in 2010 (out of 169) and 33rd in 2000 (out of 174).¹⁶
- 2.8 **A key constraint on economic development and growth is the weakness of skills.** Even though The Bahamas qualifies as a high-human-development country, gains in education have not produced an adequately skilled workforce as evidenced by low graduation rates and poor test performance. The resulting shortage of skills has led to very low productivity, which affects the public and private sectors alike. A number of local and international companies pay hefty immigration fees to bring in talented individuals with niche qualifications. In addition, large employers have their own training facilities, but many small and medium-sized enterprises (SMEs) cannot absorb the cost of training.
- 2.9 **Although the poverty rate is among the lowest in the region, it has been growing in the context of inadequate social safety nets.** The 2015 State of the Nation Report indicates an increase in the poverty rate from 9.3% in 2001 to 12.8% in 2013, with 45% of the poor gainfully employed but not earning enough to sustain their families. The Family Islands have a disproportionate share of the poor, with Eleuthera having a rate of 17.3%, and Abaco and Andros 20.3%. Lorenz curves prepared by the Statistics Department indicate a significant deterioration in household income distribution since 1999, following a considerable improvement after 1973.¹⁷
- 2.10 **Crime—especially violent crime—is detrimental to tourism and economic activity.** According to the Royal Bahamas Police Force, crime against property and persons has increased substantially since 2005, with New Providence being the epicenter. In 2015, the country saw an unprecedented level of murders which peaked at 146 as compared to 123 in 2014. Rape and armed robbery also increased by 16% and 5% respectively during 2015.
- 2.11 **The Bahamas remains somewhat disconnected from the rest of the world in respect to trade, even though its imports represent one-third of GDP.** The country is still not a member of the World Trade Organization (WTO), and, while a member of the Caribbean Community, is not a partner of the Caribbean Single Market. Moreover, while The Bahamas has signed an Economic Partnership Agreement with the countries of the CARIFORUM and the European Union, implementation of the EPA is lagging.¹⁸ Tariff dispersion is high and barriers to entry are common. While the Customs Department is being modernized, its outdated procedures led to inefficient cargo clearance and weak border control, as well as high logistics costs that hamper international trade.
- 2.12 **Energy and transportation infrastructure present significant hurdles to private sector development and raise the cost of doing business.** Inadequate infrastructure

¹⁵ UNDP, Human Development Report various years.

¹⁶ Although the country's overall rank fell dramatically relative to the performance of other countries, its score in the human development index improved from 0.784 in 2010 to 0.792 in 2015.

¹⁷ GINI coefficient data range widely and thus unreliable.

¹⁸ Through loan BH-1016, the IDB is assisting the Bahamas in this regard.

hurts the country's productivity and competitiveness and requires an integrated approach to achieve sustainable development. The state-owned Bahamas Electricity Corporation (BEC), which controls the generation, transmission and distribution of electricity through its subsidiary Bahamas Power and Light (BPL), has no regulatory incentives to operate on a profitable basis, and its supply is unreliable and insufficient.¹⁹ There are no sources of renewable energy and the country is exposed to international oil prices. The transportation sector is particularly affected by the country's geography. While air transport is of great importance to the economy, some airports do not meet international standards. Road transportation is limited and congested, reducing mobility in Nassau and extending commuting time for both residents and tourists. Congestion also increases the cost of moving tradable and non-tradable goods.

- 2.13 **Availability of fresh water is scarce in the Bahamas, and is by far the lowest in Latin America and the Caribbean.**²⁰ The single source of fresh water in the island is groundwater, however, its over-abstraction can cause saltwater intrusion into aquifers. Given this situation, the state-owned Water and Sewerage Corporation (WSC) has invested in the use of desalination processes to expand the water supply. Although reverse osmosis is the highest quality supply source, it is very expensive and has increased the cost of service for WSC. In the last decade, WSC has also experienced non-revenue water levels of about 50%, mainly related to the bad condition of the network, lack of maintenance, and inadequate commercial practices. While this situation has improved in recent years, structural challenges²¹ affect the financial sustainability of the Corporation. Regarding sanitation, sewage coverage in populated areas is also inadequate,²² raising substantial risks of groundwater contamination.
- 2.14 **Natural disasters, particularly hurricanes, have repeatedly affected The Bahamas, with considerable physical and human costs.** For instance, the combined losses of hurricanes Joaquin (2015) and Mathew (2016) are estimated at US\$800 million.²³ Notably, hurricane Mathew caused extensive damage to a number of hotels and the temporary closure of several major airports in the capital and surrounding islands, thereby affecting tourism and related activities. Infrastructure, therefore, needs considerable improvements to withstand such natural disasters and the effects of climate change, as well as to help grow the economy.

III. THE IDBG PROGRAM

- 3.1 **Since independence in 1973, The Bahamas has lacked a guiding framework within which to plan and oversee investment projects, and decisions have been guided by immediate needs and available fiscal space.** In 2013, with the Bank's financial support, the country began the preparation of its first National Development Plan, "Vision 2040", which is expected to be finalized at the end of 2017. Working more deeply with the country

¹⁹ In February 2016, the Government of The Bahamas signed a five-year management services agreement with Power Secure International to run BPL.

²⁰ Average available renewable water per capita in The Bahamas is 59.2 m³ compared to 68,000 m³ in LAC.

²¹ Including the lack of a strong legal and institutional framework for the sector.

²² According to WSC, sewer coverage has remained steady at 13% since 2011, with 16% of coverage in New Providence and 4% in Abaco.

²³ Prime Minister Christie: "Hurricanes Mathew and Joaquin losses estimated at hundreds of millions." Press Release of October 2016.

to strengthen public sector investment planning and management was one of the main recommendations provided in the previous CPE (Annex 4).

A. The 2010-2017 Country Program

- 3.2 **Between 2010 and 2017, the Bank approved two Country Strategies (CS).** The first strategy, CS 2010-2014 (CS 2010), sought to enhance productivity and economic growth by improving infrastructure and supporting SME development. The anticipated lending envelope for sovereign-guaranteed (SG) operations was US\$195 million, and disbursements were projected to reach US\$221.6 million over the five-year period. Following a landslide victory in the 2012 general election, the incoming Progressive Liberal Party asked the Bank to realign its CS with the five-year political cycle and the development priorities of its administration. Consequently, CS 2010 was truncated and replaced by CS 2013-2017 (CS 2013). The realigned role of the Bank sought to “adjust the focus of engagement to specific sectors which would position the economy for sustainable private-sector-led growth, and in which the Bank displayed a comparative advantage.” More specifically, CS 2013 sought to “ensure macroeconomic sustainability, ensure social stability and employment; and increase resilience to the negative impacts of natural disasters and climate change.” Because the Government decided to rely on domestic markets to satisfy the bulk of its financing needs (US\$1.2 billion) during the strategy period, the Bank approved a lending envelope of up to US\$150 million for “interventions that have high government priority and require specialized technical support.”
- 3.3 **CS 2010 focused on four priority areas (energy, water and sanitation, transport, and SME development), while CS 2013 prioritized five sectors (public finances and management, citizen security and justice, energy, private sector development, and coastal risk management and climate change adaptation).** There was relatively little overlap between the two strategies. CS 2013 also identified education, food security, transport, and informal immigration as topics for continuing policy dialogue and committed to generate non-sovereign guaranteed (NSG) lending “aligned to the development and diversification of the private sector”, and with financing in alternative energy and energy efficiency.

B. The Bank Group’s operational portfolio, 2010-2017²⁴

- 3.4 **Over the eight-year review period, IDB approved 45 new operations with an estimated total value of US\$693.8 million (Table 3.1).** Half of this total was concentrated in three regional NSG operations through Financial Intermediaries (FIs).²⁵ Roughly 48% financed 10 SG loans of which transport (US\$100 million) and water (US\$81 million) received the largest amounts. The balance was distributed across 32 Technical Cooperation grants (TCs) in four of the eight priority areas identified by the Bank in its CSs. Notable is the absence of any approvals in the energy sector (Annex 5).

²⁴ This evaluation will review all loan and technical cooperation operations approved between January 2010 and June 2017, as well as the portfolio of inherited operations that were active at the beginning of 2010.

²⁵ These operations targeted financial intermediaries through support to Banco Itau (Nassau Branch).

Table 3.1. Amounts approved by instrument and year (in US\$ million)									
Instrument	2010	2011	2012	2013	2014	2015	2016	2017	Total
Investment Loans	-	81.0	89.0	-	33.0	20.0	25.0	35.0	283.0
Hybrid Operation (PBL/Reimbursable TC)	-	50.0	-	-	-	-	-	-	50.0
FIs (NSG)			100.0	200.0	-	50.0	-	-	350.0
Technical Cooperation	1.9	1.5	0.2	2.1	0.7	2.3	1.9	0.2	10.8
Total	1.9	132.5	189.2	202.1	33.7	72.3	26.9	70.2	693.8

- 3.5 In addition to the loans approved between 2010 and 2017, the portfolio under evaluation also includes nine inherited operations (three investment loans, two investment grants, and four TCs) with an undisbursed balance of US\$106.7 million as of January 1, 2010 (Table 3.2). All nine operations were approved during earlier CS cycles, and all were completed during the current evaluation period (Annex 6).

Table 3.2. Approved Operations by Country Strategy and Sector											
CS/Sector	EN	AS	TR	PS/SME	RM	SEC	PA	IS	ED	TD	DU
2013-2017			1 loan; *	FI (2)	1 loan; *	1 loan; *	*	1 loan; *			*
2010-2012		1 loan	3 loans (incl PBL)	FI (1)	*		*	1 loan; *		1 loan; *	
Inherited Portfolio	*	*	2 loans					*	1 loan		
Key: CS Priority sector *At least one TC / Investment grant approved											

- 3.6 The Inter-American Investment Corporation (IIC) approved four operations,²⁶ mostly to support SMEs, while the Multilateral Investment Fund (MIF) approved six projects²⁷ in science and technology, SME development, financial markets, tourism, and agriculture (Annex 7).

IV. EVALUATION QUESTIONS AND METHODOLOGY

- 4.1 The CPE will assess whether the program implemented by the Bank Group was consistent with The Bahamas' development needs and with the objectives identified in IDB's CSs. The CPE will also examine whether and how the Bank Group's program evolved and adapted to the country's changing macroeconomic circumstances and whether it was effective. Specific questions regarding the relevance, efficiency, effectiveness, and sustainability of Bank support are detailed below.

A. Relevance

- 4.2 **Relevance** refers to "the degree to which the design and objectives of the Bank strategy and program of assistance were consistent with the needs of the country and with the government's development plans and priorities" (RE-348-3). Under this heading, the CPE will address the following questions:

²⁶ For a total amount of US\$3.7 million, although the biggest operation (US\$2.1 million) was cancelled.

²⁷ For a total amount of US\$1.5 million.

- i. To what extent were IDBG's CSs aligned with The Bahamas development needs and with the government's development priorities?
- ii. To what extent did the CSs reflect a clear understanding of constraints to private sector development?
- iii. How strategic was the allocation of Bank Group financial and technical support among key sectors?
- iv. To what extent was the program able to utilize country systems for financial management, procurement, and safeguards?
- v. Did the realignment of the CS with the political cycle enhance the relevance of the Bank's financial and technical support?

B. Implementation and effectiveness

4.3 In assessing the implementation of the Bank Group's program, **effectiveness** refers to "*the extent to which the assistance instruments achieved the intentions and objectives set [in the Country Strategy and Program]*" (RE-348-3).

- i. Were the program and individual operations designed in a manner consistent with the government's institutional capacity for implementation?
- ii. How efficiently was the program implemented?
- iii. To what extent did individual operations in the program achieve the outputs and outcomes identified in their respective results frameworks?
- iv. To what extent has the Bank Group been able to identify and mitigate risks, including those arising from the country's size and unique geographical setting?
- v. Which factors explain the Bank Group's experience with program implementation?
- vi. Given the relatively high levels of economic and human development in The Bahamas, what was the value-added of IDBG's engagement?

C. Sustainability

4.4 **Sustainability** refers to "*the likelihood that actual and anticipated results will be resilient to risks beyond the program period*" (RE-348-3). The evaluation will address the following questions:

- i. What is the likelihood that program results will be sustainable?
- ii. What are the principal risks to sustainability?

D. Methodology

4.5 **OVE will gather evidence from a variety of sources.** OVE will conduct a desk review of relevant Government and Bank Group documents and data. These include annual country programming documents, loan and TC documents, progress monitoring reports, and project completion reports. The desk review will also include the analysis of data on portfolio implementation and results available from the IDBG's information systems, and the analysis

of economic and social indicators provided by the government and multilateral institutions. Finally, to gather further information related to program implementation and results as well as to verify the information provided by the IDBG and executing agencies, OVE will also conduct visits to project sites. OVE will supplement the analyses listed above with interviews with relevant stakeholders including: government officials, executing agency staff, Bank Group staff, project beneficiaries, and staff and experts from other institutions.

V. TEAM AND TIMELINE

6.1 The evaluation team is comprised of Michelle Fryer (team leader), Pablo Alonso, Jose Claudio Pires, Nayda Avalos, Patricia Sadeghi, and Jose Fajgenbaum.

6.2 The expected timeline for the evaluation is as follows:

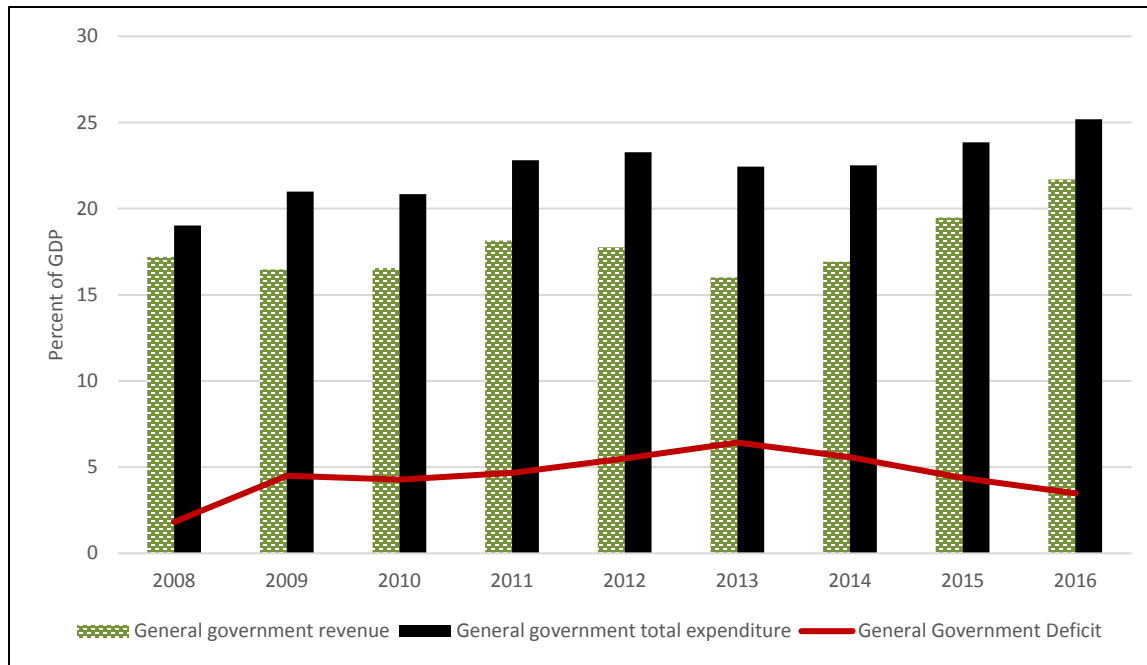
Activity	Date
Evaluation mission	April 2017
Draft for Government and IDB Management review	August 2017
Delivery of CPE to the Board of Executive Directors	October 2017

Annex 1. The Bahamas: Selected economic indicators, 2008-2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
(Annual percentage changes, unless otherwise indicated)									
Real sector									
Real GDP	-1.3	-5.4	1.0	0.6	3.1	0.0	-0.5	-1.7	0.0
Nominal GDP	-1.0	-5.3	0.9	-0.3	6.5	1.5	1.1	2.7	0.0
Consumer price index (annual average)	4.4	2.1	1.3	3.2	1.9	0.4	1.2	1.9	-0.3
Consumer price index (end of period)	4.5	1.3	1.5	3.2	0.7	1.0	0.2	2.0	-0.3
Unemployment rate (%)	8.7	14.2	n/a	15.9	14.4	15.8	14.6	13.4	11.6
Saving rate (% of GDP)	n/a	n/a	15.3	12.4	10.9	10.1	9.2	12.0	14.8
Investment rate (% of GDP)	n/a	n/a	25.4	27.5	28.8	27.7	31.2	27.2	26.2
Financial sector									
Credit to the nonfinancial public sector	16.1	9.3	37.5	4.0	14.9	23.6	4.0	7.7	5.3
Credit to the private sector	5.1	0.9	-0.4	1.1	-0.3	-1.2	-2.8	-1.1	-0.6
Liabilities to the private sector	5.1	1.8	2.6	1.9	-0.1	0.2	1.2	-0.3	1.7
External sector									
Exports of goods and services	2.5	-14.7	4.9	3.6	10.5	-1.3	-1.4	-9.5	6.4
<i>Of which: Travel receipts (gross)</i>	-2.2	-10.0	7.4	-1.0	7.9	-1.2	1.0	3.0	7.6
Imports of goods and services	1.5	-18.9	1.1	12.9	15.6	-2.6	5.0	-17.7	-3.8
(In % of GDP, unless otherwise indicated)									
Central government 1/									
Revenue and grants	17.4	17.1	16.6	18.1	17.8	16.0	16.9	19.5	21.7
Expenditure	16.8	18.2	19.8	21.9	23.3	22.4	22.5	23.9	25.2
Overall balance 2/	-2.3	-5.2	-3.2	-3.8	-5.5	-6.4	-5.6	-4.4	-3.5
Primary balance	-0.4	-3.1	-0.9	-1.1	-3.2	-4.1	-3.1	-1.7	-0.4
Central government debt	32.3	38.4	43.2	45.0	48.0	55.4	60.2	64.5	69.9
External sector									
Current account balance	-14.9	-11.4	-10.1	-15.1	-17.9	-17.5	-22.0	-15.3	-11.4
External public debt (end of period)	5.4	9.8	11.6	13.2	17.8	19.1	24.4	24.7	26.2
Memorandum items:									
Gross international reserves									
End of period; millions of U.S. dollars	563	816	860	885	810	742	788	812	850
In months of next year's G&S imports	1.8	2.6	2.4	2.2	2.0	1.8	2.3	2.4	2.5
In % of reserve money	87	117	104	100	90	86	80	83	85
GDP (in millions of Bahamian dollars)	8,239	7,806	7,888	7,890	8,399	8,522	8,618	8,854	8,939

Sources: IMF Various Issues of Article IV Consultation Reports, WEO, and Central Bank of The Bahamas Quarterly Economic Review, December 2016.

Annex 2. The Bahamas: Public Finances 2008 – 2016



Source: IMF WEO (April 2017)

Annex 3. The Bahamas: Balance of Payments, 2008–2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016p
(US\$ million)									
Current account balance	-1,229	-894	-797	-1,193	-1,505	-1,494	-1,898	-1,296	-1,087
Goods (trade balance)	-2,243	-1,825	-1,888	-2,132	-2,401	-2,211	-2,450	-2,369	-2,150
Domestic exports	560	466	459	511	508	574	549	358	
Domestic imports	-2,798	-2,278	-2,332	-2,624	-2,886	-2,763	-2,977	-2,707	
Oil	-771	-423	-453	-483	-496	-485	-481	-332	
Capital goods	-646	-513	-494	-583	-688	-657	-720	-674	
Other domestic imports	-1,381	-1,342	-1,386	-1,558	-1,702	-1,621	-1,776	-1,700	
Other net exports	-6	-13	-15	-19	-24	-22	-22	-20	-21
Services	1,131	1,070	1,329	1,201	1,154	1,043	991	1,461	1,228
Travel (net)	1,840	1,689	1,936	1,895	2,026	2,022	2,097	2,140	2,261
Travel (credit)	2,144	1,929	2,163	2,142	2,311	2,285	2,308	2,378	
Travel (debit)	-305	-240	-228	-246	-286	-262	-212	-238	
Other services	-708	-619	-607	-694	-872	-979	-1,105	-678	-1,033
Of which:									
Construction services (net)	-34	-21	-16	-163	-266	-483	-645	-137	
Offshore companies local expenditure (net)	234	182	158	139	176	180	201	159	
Income and transfers	-117	-139	-237	-262	-257	-326	-439	-388	-185
Capital and financial account	1,212	1,115	1,144	988	1,306	1,425	1,944	1,320	1,164
Capital transfers	-8	-7	-4	-6	-7	-10	-9	-19	-14
Long-term public sector	106	504	148	130	411	138	500	101	201
Commercial banks' NFA	36	-22	24	-101	-2	62	-162	30	-306
Foreign direct investment	860	664	872	667	526	382	251	76	74
Other private capital 1/	218	-24	104	298	379	853	1,363	1,132	1209
Overall balance	113	253	348	-205	-198	-69	46	24	77
Change in net international reserves (increase -)	-113	-253	-45	-24	75	69	-46	-24	-77
(In % of GDP)									
Current account balance	-14.9	-11.4	-10.1	-15.1	-18.3	-17.5	-22	-14.6	-12.0
Goods (trade balance)	-27.2	-23.4	-23.9	-27	-29.2	-25.9	-28.4	-26.8	-23.8
Services	13.7	13.7	16.8	15.2	14	12.2	11.5	16.5	13.6
Travel (net)	22.3	21.6	24.5	24	24.6	23.7	24.3	24.2	25.0
Other services	-8.6	-7.9	-7.7	-8.8	-10.6	-11.5	-12.8	-7.7	-11.4
Income and transfers	-1.4	-1.8	-3.0	-3.3	-3.1	-3.8	-5.1	-4.4	-2.0
Capital and financial account	14.7	14.3	14.5	12.5	15.9	16.7	22.6	14.9	12.9
Overall balance	1.4	3.2	4.4	-2.6	-2.4	-0.8	0.5	0.3	0.8
Change in net international reserves (increase -)	-1.4	-3.2	-0.6	-0.3	0.9	0.8	-0.5	-0.3	-0.8
Memorandum items:									
Gross international reserves (US\$ millions)	563	816	860	885	810	742	788	812	889

1/ Includes errors and omissions

Source: IMF Article IV Consultation reports (2016, 2015, 2013, 2011) and Central Bank of The Bahamas Quarterly Economic Review, December 2016

Annex 4.
The Bahamas: Recommendations of the 2001-2008 Country Program Evaluation

The previous Country Program Evaluation for The Bahamas included the following recommendations: (1) work more deeply with the country to strengthen public sector investment planning and management; (2) clearly define the CS strategic goal and development objectives at the program level, and within a results framework that includes verifiable outcome indicators – benchmarks, milestones, and targets; (3) address high level cost of project preparation by becoming more adept at inserting into the planning process, among other actions; (4) broaden the Bank's analytical program to include in-depth research on execution constraints; (5) conduct a needs assessment to identify strengthening measures that would enable the Bank to delegate fiduciary responsibility to country systems; (6) continue to support infrastructure, both in New Providence and the Family islands, as a central focus of the Bank's Country Program; (7) continue to support instruments of social policy and economic participation, particularly in the Family Islands, specifying how the benefits of programming will flow to the poor, providing realistically dimension investments to ensure that outcomes are attainable, and exploring the extent to which synergies can be exploited; (8) enhance the country's analytic capacity to anticipate the impact of climate change on the national economy, assess the fiscal aspects of mitigation measures, and evaluate future-looking policy responses; (9) consider building on existing synergies between MIF and IIC in order to lay the groundwork for greater private sector engagement; and (10) take into account the context of the financial crises and government's response when establishing short-term goals and actions in the new CS.

Annex 5. The Bahamas. Approved operational portfolio 2010-2017

SECTOR	OPERATION NUMBER	OPERATION NAME	APPROVAL DATE	ORIGINAL APPROVED AMOUNT (US\$)	AVAILABLE BALANCE (US\$) 5/8/2017	OPERATION STATUS 5/8/2017
<u>CITIZEN SECURITY</u>	BH-L1033	Citizen Security and Justice Programme	7/7/15	20,000,000	17,626,344	ACTIVE
	BH-T1037	Pilot Project for a Swift Justice System in the Commonwealth of The Bahamas	11/14/13	250,000	0	COMPLETED
	BH-T1046	Support for the design of a community reentry system for former offenders	11/6/15	345,907	200,593	ACTIVE
<u>EDUCATION / LABOR</u>	BH-L1037	Skills for current and future jobs	11/2/16	25,000,000	25,000,000	ACTIVE
	BH-T1021	Bahamas Labor Markets Study	12/14/10	170,000	0	COMPLETED
	BH-T1035	Advancing Skills and Employment in The Bahamas	9/26/13	400,000	122,209	ACTIVE
	BH-T1036	Visit to the National Employment Service in Riviera Maya	8/21/13	11,350	0	COMPLETED
	BH-T1051	Building Capacity for Skills for Current and Future Jobs	9/1/16	120,000	32,590	ACTIVE
<u>ENVIRONMENT AND NATURAL DISASTERS</u>	BH-T1025	Emergency Assistance: Hurricane Irene	9/20/11	200,000	0	COMPLETED
	BH-T1029	Feasibility studies for a climate risk-resilient coastal zone management program	12/17/13	500,000	0	COMPLETED
	BH-T1032	Emergency Assistance due to Hurricane Sandy	1/10/13	200,000	0	COMPLETED
	BH-T1038	Feasibility studies for a climate risk-resilient coastal zone management program	12/17/13	150,000	0	COMPLETED
	BH-T1040	Ecosystem-based Development for Andros Island	11/5/14	600,000	10,597	ACTIVE
	BH-T1049	Emergency Assistance due to Hurricane Joaquin	11/2/15	200,000	0	COMPLETED
	BH-T1052	Support Climate Resilient tourism Development in San Salvador	12/6/16	360,000	309,285	ACTIVE
	BH-T1053	Emergency Assistance due to Hurricane Matthew	10/14/16	200,000	0	ACTIVE
<u>FINANCIAL INTERMEDIARIES</u>	RG-L1047	Green Line Banco Itau BBA S.A. *Nassau Branch*	2/15/12	100,000,000	0	COMPLETED
	RG-L1066	Banco Itau BBA (Bahamas) TFFP - TFFP A Loan	12/11/13	200,000,000	0	COMPLETED
	RG-L1073	ITAU UNIBANCO, NASSAU BRANCH TFFP AB Loan 2nd Disb	9/18/15	50,000,000	0	COMPLETED
<u>MODERNIZATION OF THE STATE</u>	BH-L1035	Performance Monitoring and Public Financial Management Reform	11/19/14	33,000,000	33,000,000	ACTIVE
	BH-T1013	Management for Results	6/9/10	1,500,000	0	COMPLETED
	BH-T1022	Conditions for a sustainable fiscal balance in the Bahamas	11/30/11	612,000	0	COMPLETED
	BH-T1034	Strengthening Institutional Capacity of the Office of the Prime Minister	4/30/13	450,000	0	COMPLETED
<u>SOCIAL PROTECTION</u>	BH-L1030	Social Safety Net Reform Program	7/18/12	7,500,000	3,675,350	ACTIVE
	BH-T1024	Strengthening Social Protection Programs in The Bahamas	11/30/11	500,000	0	COMPLETED
<u>TRADE & FINANCIAL MARKETS</u>	BH-L1016	Trade Sector Support Programme	7/18/12	16,500,000	11,010,000	ACTIVE
	BH-T1011	Strengthening Customs Department in the Bahamas	12/15/10	199,183	0	COMPLETED
	BH-T1020	Bahamas Customs Modernization	6/29/10	18,286	0	COMPLETED
	BH-T1054	Exchange for the Strengthening of the Caribbean Banking System	12/7/16	11,744	0	COMPLETED
<u>TRANSPORT</u>	BH-L1027	Air Transport Reform Program	12/14/11	47,500,000	32,500,000	ACTIVE
	BH-L1040	Air Transport Reform Programme (2-Tranche PBL + Reimb TC)	12/14/11	2,500,000	7,222	ACTIVE
	BH-L1041	Airport Infrastructure Programme	1/25/17	35,000,000	35,000,000	ACTIVE
	BH-L1029	New Providence Transport Program Supplementary Financing II	9/4/12	65,000,000	55,475	ACTIVE
	BH-T1044	Support for the development of a National Airlift Diversification Plan	11/24/15	500,000	183,255	ACTIVE
	BH-T1047	Sustainable Urban Bus System Planning and Design	3/8/16	500,000	225,000	ACTIVE
	BH-T1048	Sustainable Infrastructure Upgrade for the Family Island Airports Bahamas.	6/2/16	500,000	500,000	ACTIVE
<u>URBAN DEVELOPMENT</u>	BH-T1045	Implementation of the ESCI in Nassau, The Bahamas	8/7/15	1,100,000	401,373	ACTIVE
<u>WATER</u>	BH-L1028	Upgrade	11/16/11	81,000,000	16,050,000	ACTIVE
<u>C&D ACTION PLAN</u>	BH-T1023	Action Plan for C and D Countries	6/1/11	150,000	0	COMPLETED
	BH-T1026	Action Plan for C and D countries	1/25/12	163,913	0	COMPLETED
	BH-T1033	Action Plan for C and D Countries	1/7/13	154,858	0	COMPLETED
	BH-T1039	Action Plan for C and D Countries	1/7/14	156,376	0	COMPLETED
	BH-T1043	Action Plan for C and D Countries	1/7/15	154,014	0	COMPLETED
	BH-T1050	Action Plan for C and D Countries	1/22/16	251,899	16,676	ACTIVE
	BH-T1055	Action Plan for C and D Countries	1/3/17	227,443	227,443	ACTIVE
Source: OVE using IDB data warehouse			Loans are shaded		PBLs are in bold	
		total originally approved (excluding inherited portfolio)		693,856,973		
		total originally approved (including inherited portfolio)		898,745,229	863,745,229	
		total currently approved (including inherited portfolio)		888,623,039	853,364,626	

Annex 6: The Bahamas. Inherited Operational Portfolio (1/1/2010) *

SECTOR	OPERATION NUMBER	OPERATION NAME	APPROVAL DATE	CURRENT APPROVED AMOUNT (US\$)	UNDISBURSED BALANCE (US\$) 1/1/2010	AVAILABLE BALANCE (US\$) 5/8/2017	OPERATION STATUS (5/8/2017)
<u>EDUCATION</u>	BH-L1003	Investing in Students and Programmes for the Innovative Reform of Education	11/30/05	12,774,888	8,639,508	0	COMPLETED
<u>ENERGY</u>	BH-T1012	Strengthening the Energy Sector in the Bahamas	12/17/08	690,730	544,291	0	COMPLETED
	BH-T1016	Promoting Sustainable Energy in the Bahamas	1/22/09	747,788	576,407	0	COMPLETED
	BH-X1001	Implementing Sustainable Energy Projects in the Bahamas	10/15/09	825,521	825,521	0	COMPLETED
	BH-X1002	Promotion of Energy Efficient Residential Lighting	9/21/09	436,135	436,135	0	COMPLETED
<u>SOCIAL PROTECTION</u>	BH-T1015	National Health Services Strategic Plan 2010-2020	11/30/09	382,610	382,610	0	COMPLETED
<u>TRANSPORT</u>	BH0029	New Providence Transport Program	5/30/01	43,400,000	9,974,583	0	COMPLETED
	BH-L1024	Supplementary Financing for New Providence Transport Program	5/22/08	100,000,000	85,165,746	0	COMPLETED
<u>WATER</u>	BH-T1017	Legal and Regulatory Framework Update (Water Sector)	5/4/09	249,980	187,485	0	COMPLETED
Source: OVE using IDB data warehouse			Loans are shaded				
* The inherited operational portfolio is comprised of all loan and TC operations that were approved under prior country strategies, but still actively disbursing as of the start of the current country strategy cycle.							
				Total current	Total undisbursed		
				159,507,653	106,732,286		

Annex 7. The Bahamas. IIC and MIF approved operational portfolio 2010-2017

	OPERATION NUMBER	SECTOR	OPERATION NAME	APPROVAL DATE	ORIGINAL APPROVED AMOUNT (US\$)	AVAILABLE BALANCE (US\$) 3/31/2017	OPERATION STATUS 3/31/2017
IIC	BH3341A-01	SME	Bahamas Neurological	8/29/13	125,000	0	COMPLETED
	BH3338A-01	SME	Southern Air	9/2/14	2,100,000		CANCELLED
	BH3343A-01	SME	Kenuth	3/6/15	345,907	0	ACTIVE
	11914-01	Energy	CBC Solar PV Project	12/7/16	1,000,000	0	ACTIVE
MIF	BH-M1006	SME	Strengthening the Bahamas Contractors' Association	11/1/10	150,000	0	COMPLETED
	BH-M1008	Science and Technology	Bahamas Virtual Platform	7/16/10	313,568	0	COMPLETED
	BH-M1009	Science and Technology	Support to the Bahamas Public Procurement System through ICT and MSMEs	3/2/11	239,196	0	COMPLETED
	BH-M1010	Tourism	Support for the Economic Empowerment of Fly Fishing Guides	12/13/14	149,750	139,578	ACTIVE
	BH-M1011	Financial Markets	Supporting Micro Financial Services through Technology	2/6/13	150,000	0	COMPLETED
	BH-M1013	Agriculture	Revitalization of the Sponging Industry	12/15/15	535,450	382,340	ACTIVE