

# Caribbean Region Quarterly Bulletin



2016: I

**Crime in Paradise**  
Volume 5, Issue 1 | March 2016



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Understand it, then fight it

Crime strongly affects persons in the Caribbean. In a recent survey, 40 percent of the Caribbean population identified crime and security-related issues as the main problems facing their country, even above poverty, the economy or inequality. The priority of crime is striking considering the challenging economic situation that the world economy, and the Caribbean in particular, are facing.

Crime is as complex as it can be damaging for the well-being of persons. While we have a good understanding of general triggers for crimes, it remains difficult to design, implement and evaluate country-specific crime and violence prevention programs. A major problem in this respect is the lack of comparable, detailed data, including for some countries in the Caribbean.

The IDB has supported data generation in the region using victimization surveys for individuals and businesses, which are presented in this quarterly bulletin.

As usual, the quarterly bulletin also gives an overview of recent economic developments in the Caribbean.

Selected Indicators	Real Growth Rate	Annual Inflation (% end of period)	General Government Primary Balance (% of GDP)	General Government Overall Balance	Current Account balance (% of GDP)	General Government Gross Debt (% of GDP)
Jamaica	0.8	3.7	7.3	-0.4	-3.7	124.8
Barbados	0.5	-0.2	0.3	-7.4	-5.9	142.0
The Bahamas	1.2	1.5	-0.9	-3.8	-22.2	65.8
Guyana	3.0	-1.8	-3.7	-4.7	-5.2	52.4
Trinidad and Tobago	0.2	4.7	-2.4	-4.4	0.70	45.3
Suriname	1.5	25.0	-7.8	-9.1	-9.4	41.0
<b>CCB Average</b>	<b>1.2</b>	<b>5.5</b>	<b>-1.2</b>	<b>-5.0</b>	<b>-7.6</b>	<b>78.6</b>

Source: International Monetary Fund and country authorities.

Note: Year is 2015 or closest available date. Barbados debt figure includes holding of NIS.

Summary of Economic Update by Country

Economic activity in the **Bahamian** economy remains sluggish through the beginning of 2016. Tourism advanced even though the dominant sea arrivals category abated. Unemployment persisted, which has reinforced low credit quality in the banking system. In contrast, higher than expected VAT collections resulted in a significantly lower deficit, while debt still stands at over 60% of GDP.

A favorable external environment eased the economic situation in **Barbados** in 2015. Tourism arrivals rebounded and lower oil prices contributed to improving Barbados's external position. However, debt remains high and continued fiscal consolidation is expected over the next few years.

2015 growth for **Guyana** is estimated at 3 percent. A recent oil discovery suggests commodities could

become even more important for Guyana (in addition to gold, bauxite, manganese, timber, fisheries, arable land) and bolster Guyana's growth potential over the medium term. However, institutional weaknesses, structural issues in its core traditional sectors and moderating commodity prices for principal exports have combined to dampen recent economic performances.

The opposition **Jamaica** Labour Party won the recent elections in Jamaica. At the same time, the outlook continues to be favorable even though challenges remain, especially in accelerating economic growth. The upcoming budget will need to integrate proposed tax changes with the fiscal framework of the IMF program.

Sustained low commodity prices significantly reduced international reserves and fiscal revenues in **Suriname**. Discussions have started with the IMF and other multilaterals for technical assistance and financial support in order to smooth the impact of the fall in commodity prices until new productive capacity materializes. Protecting social spending to safeguard the most vulnerable in society would be an important element for any program.

The economic situation in **Trinidad and Tobago** was marked by lower oil and gas prices, forcing the country to adjust to new economic realities. The Trinidadian economy contracted in 2014 and economic growth is projected to remain low in the near future. The government has been introducing several measures to constrain expenditures and increase non-energy revenues in reaction to the fall in energy-related revenues.

The countries of the Eastern Caribbean Currency Union/Organization of Eastern Caribbean States welcomed a new Central Bank Governor. The countries are experiencing a tourism-led recovery, which also benefits fiscal consolidation that is being implemented in several countries. Dominica started to rebuild infrastructure damaged by Tropical Storm Erika.

Special Regional Report: Crime and Violence in the Caribbean

As in other parts of the world, crime and violence have deeply negative effects on businesses and individuals in the Caribbean. In some countries, crime has increased and become more violent over the last decade. The regional supplement presents some key results of a forthcoming report on crime based on victimization surveys for The Bahamas, Barbados, Jamaica, Suriname, and Trinidad and Tobago (Caribbean Country Department).

## Introduction

As in other parts of the region, crime and violence have deeply negative effects on businesses and individuals in the Caribbean. In several countries in Latin American and the Caribbean, crime has increased and become more violent over the last decade. For the Caribbean, this worrying development has been well documented (UNODC/World Bank, 2007; UNDP, 2012) but existing studies lack detail as they depend largely on crime data collected from either national police or citizen security surveys. While police data are an important source of information, they are generally not detailed, which could bias the interpretation or distort the aggregate. Varying legal definitions also make any cross-country analysis notoriously difficult.

**Crime can be addressed from different angles.** Modern approaches to crime and violence prevention, in addition to policing, include reforms of the penal and court system, public health approaches, community development and interventions to educate and bring cultural change. However, tackling the extremely complicated issue of crime requires a deeper understanding of the exact causes and consequences.

**Between 2013 and 2015 the IDB undertook two important initiatives to generate comparable primary data on crime across the Caribbean region:** 1) A Caribbean Crime Victimization Survey (CCVS) module was attached to the Latin American Public Opinion Project (LAPOP) survey and applied in five Caribbean countries<sup>1</sup>; 2) a business victimization survey module was attached to the PROTEqIN survey 2014 and applied to a representative sample of firms in 13 Caribbean countries. Victimization surveys, which involve interviewing a representative sample of citizens about their experiences with crime and violence, are increasingly recognized as important tools in the analysis of crime and violence as they offer important insights compared to police statistics.

**This bulletin provides some key highlights from a forthcoming IDB study using data on victimization of individuals (CCVS) and businesses (PROTEqIN) to provide a more complete picture of crime and violence in the region.** Analysis of individual victimization data is concentrated in capital cities, where crime is generally higher. International comparisons are made against countries where the International Crime Victimization Survey (ICVS) has been implemented, but should be taken with caution.

Key takeaways include the following:

- **Crime strongly affects persons in the Caribbean.** 40% of the Caribbean population identified crime and security-related issues as the main problems facing their country in 2014/2015, even above poverty, the economy or inequality.
- **Crime is significantly associated with reduced economic growth.** One of the channels through which crime can effect growth is through its impact on the private sector. We find that crime does have a significant impact on firms in the Caribbean region.
- **The defining characteristic of crime in the region is the uniquely high level of violent crime.** Victimization surveys show particularly high levels of assault/threat in the Caribbean, often with the use of guns. The region experiences medium levels of property crime in comparison to international capital city averages.
- **Victimization rates were generally higher in capital metropolitan areas than at the national level.** However, the concentration in capital cities seems somewhat less pronounced in the Caribbean than in other world regions.
- **The Bahamas (New Providence) and Jamaica (Kingston Metropolitan Area) stand out with the highest levels of violent crime.** In Trinidad and Tobago (Port of Spain Metropolitan Area) the levels of robbery and vehicle theft were also comparatively high for the region. Suriname (Paramaribo) and Barbados (Greater Bridgetown Area) show significantly lower rates in nearly all crimes.

## The Cost of crime

**The cost of crime is high for the Caribbean region.** While there are a number of methodologies that can be employed to assess the cost of crime<sup>2</sup>, using panel regressions to estimate the effects of crime on growth provides a summary measure of effects through many channels. Employing this method we simulate the effect of decreasing the homicide rate in the region to match the world average for the period of 1995-2011<sup>3</sup>. The results show that GDP growth for the region would have been 1.14% higher (moving from 3.105 pp to 3.140 pp over the period).

**The impact of crime on the private sector varies widely between countries in the region.** According to data from the PROTEQIN survey of firms 2013/2014, more than one in five Caribbean businesses (22.5%)

<sup>1</sup> Barbados, The Bahamas, Jamaica, Trinidad and Tobago and Suriname. The government of Guyana opted not to have the survey implemented.

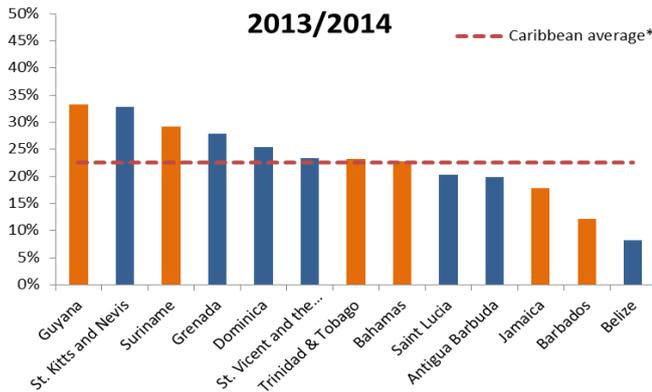
<sup>2</sup> For an overview see Jatiman, et. al. 2015

<https://publications.iadb.org/handle/11319/7246>

<sup>3</sup> This was the period of most data for homicide rates worldwide (UNODC).

reported being a victim of theft, robbery, vandalism or arson during the fiscal year. Victimization prevalence varied from 8.2% of firms in Belize to 33.3% in Guyana. CCB countries that were above the unweighted regional average were Guyana (33.3%) and Suriname (29.2%).

**Figure 1:** Percentage of firms that experienced losses due to theft, vandalism or arson during the fiscal year



Source: PROTEQIN survey of firms 2013/2014 dataset.  
\*Caribbean average is the unweighted average of the thirteen countries.

**Homicide in the Caribbean**

Homicides are the most commonly used and widely recognized indicator of the levels of violence within a society.<sup>4</sup> **The Caribbean sub-region suffers from relatively high homicide rates** (average of 16 per 100,000 vs. global average of 6.2)<sup>5</sup>. However, there is great intra-regional variance. Jamaica, for example, stands out for its extraordinarily high rates of homicides since 2000. While Jamaica and Trinidad and Tobago have generally dominated regional attention in this regard, rates in The Bahamas surpassed Trinidad and Tobago in 2011 and are now nearing those of Jamaica (Figure 2).<sup>6</sup> On the other hand, rates in Barbados and Suriname have remained fairly constant at much lower levels over time (Figure 2).

**Victimization survey data collected in 2014/2015, indicate that one in four (24.8%) Caribbean adults have lost someone close due to violence.** This form of indirect victimization was highest in Jamaica, where half the population (50.3%) reported losing someone to violence, followed by The Bahamas (37.1%) (Figure 3). Interestingly, Barbados surpassed both the Caribbean

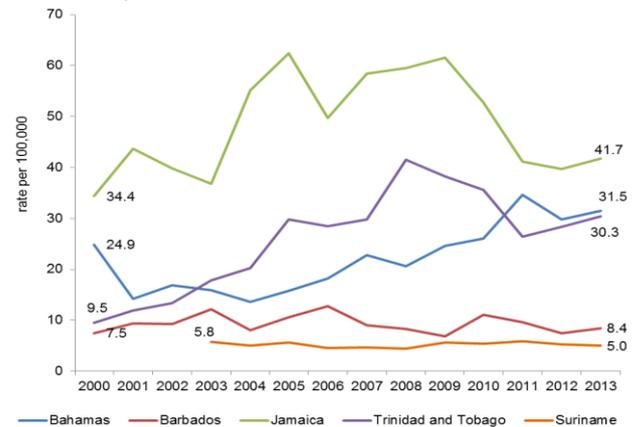
<sup>4</sup> Homicide is the most visible and reliably reported form of violent crime. Given that most countries have a legal requirement that all deaths be registered, homicide data is generally captured fairly accurately by police or public health systems.

<sup>5</sup> United Nations Office on Drugs and Crime (UNODC) (2013) "Global Study on Homicide".

<sup>6</sup> Recent reports for Jamaica indicate a 20% increase in 2015 with respect to 2014. See Country report in this bulletin.

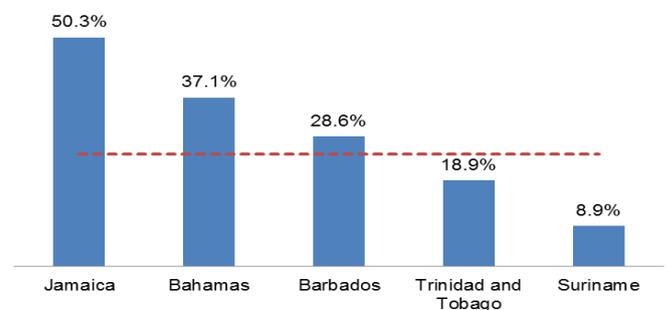
average and the rate from Trinidad and Tobago, despite consistently low police reported homicide rates. High levels of indirect victimization in Barbados, and to some extent The Bahamas, may be a reflection of the larger impact that each homicide can have on small, tightly connected island populations.

**Figure 2:** Comparison of Intentional Homicide Rates per 1000,000 Population in Caribbean Countries 2000–2013



Sources: National Police Statistics, see country report for details.

**Figure 3:** Percentage of population that has lost someone close to violence in their lifetime



Source: Data from LAPOP/CCVS 2014/2015

**Crime in capital cities**

**An average of 12.3% of the Caribbean population reported being a victim of at least one of five common crimes in a 12-month period,<sup>7</sup> with higher prevalence in capital metropolitan areas.** Many international studies have found a correlation between city size/ urbanicity and higher crime levels. Crime victimization was significantly higher in all Caribbean capitals compared to national rates with the exception of Suriname (where rates were higher at the national level,

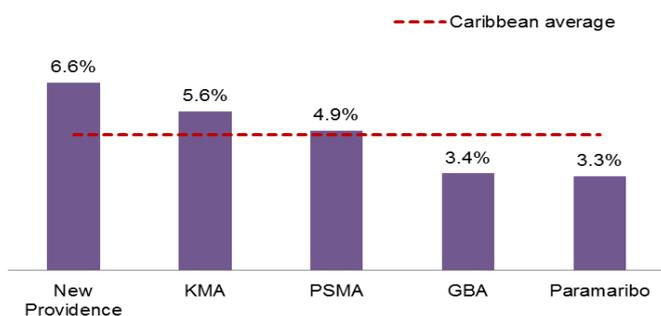
<sup>7</sup> CCVS / LAPOP 2014/2015. The five common crimes include: theft, vehicle theft, burglary, robbery and assault & threat.

but not statistically significant) and Jamaica<sup>8</sup>. Although these results were expected in the Caribbean, the concentration of crime in capital cities is somewhat less pronounced in the region than around the world.

Property crimes

Caribbean capital cities experience medium levels of property crime.<sup>9</sup> Around the world the most commonly reported crime on victimization surveys is theft of personal property, without the use of force (including pick pocketing). At 4.8% of the population, the average one-year prevalence of theft in Caribbean capitals is significantly lower than the global average of 8.1%. Within the region, theft was higher in New Providence, Kingston Metropolitan Area - KMA and Port of Spain Metropolitan Area - PSMA and lower in Greater Bridgetown Area - GBA and Paramaribo (Figure 4).

Figure 4: One-year victimization prevalence of Theft – 5 Caribbean capital metropolitan areas: CCVS 2014/2015



Source: Data from LAPOP/CCVS 2014/2015

In 2014/2015, 1.9% of the Caribbean population in capital metropolitan areas was a victim of vehicle theft. Comparing these rates with the averages of other capital cities (1.2%) indicates that car theft is particularly high in New Providence and Port of Spain Metropolitan Area. In fact, the car theft rates in these two cities of 4.7% and 2.5% (Figure 5) were amongst the highest ever measured in the ICVS database. An important consideration is clearly the percentage of the population that owns a car, which is also significantly higher in these two cities (83% of respondents in New Providence and 65% in PSMA reported owning at least one car).

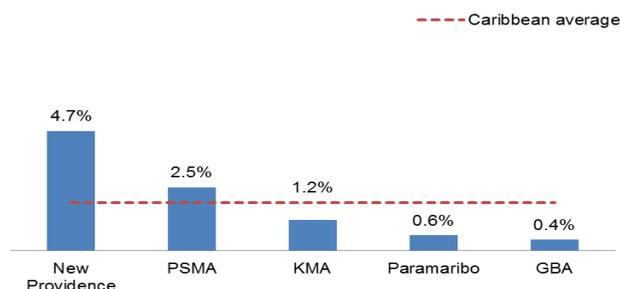
An average of 4.1% of households in capital cities within the region saw their homes burglarized during a 12 month period. There was little variation within the region – all capital city prevalence rates hovered around

<sup>8</sup> In Jamaica differences in the survey questionnaire at the national level prevent valid comparisons.

<sup>9</sup> Compared to global averages of victimization rates for property crimes in all capital cities which participated in the International Crime Victimization Survey (ICVS) since 1990 (around 70).

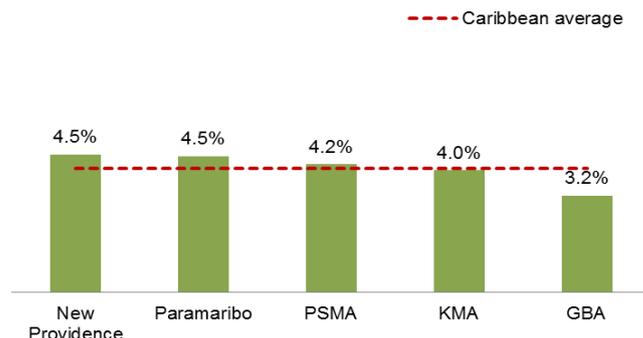
the global average for cities participating in the ICVS since 1990 (4.5%).

Figure 5: One-year victimization prevalence of Vehicle Theft – 5 Caribbean capital metropolitan areas: CCVS 2014/2015



Source: Data from LAPOP/CCVS 2014/2015

Figure 6: One-year victimization prevalence of Burglary – 5 Caribbean capital metropolitan areas: CCVS 2014/2015.



Source: Data from LAPOP/CCVS 2014/2015

Violent crimes in capital cities

The defining characteristic of crime in the Caribbean is the high levels of violent crime – particularly assault and threat of assault. Violent crimes are defined as those that include the use of force or threat of force against the victim. Although robbery involves taking property, it is generally classified as a violent crime, since force or threat of force is involved in contrast to burglary which is typically of an unoccupied building.

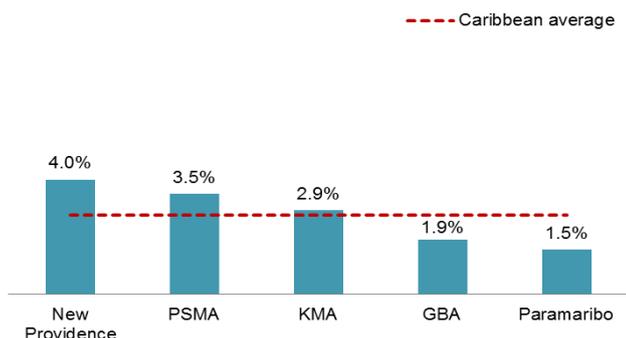
During the one-year reference period, 2.7% of the population in capital metropolitan areas in the region was a victim of robbery (Figure 7).<sup>10</sup> This crime was notably highest in New Providence (4.0%), followed by PSMA (3.5%) which were above the global ICVS city

<sup>10</sup> Robbery is different from general theft in that it involves the use of, or threat of the use of, force. For this reason robbery is often considered a violent crime.

average (2.9%). Robbery rates are, nevertheless, also comparatively lower in the Caribbean than in Africa (10 city average 4%) and Latin America (7 city average of 7.8%).

**The highest victimization prevalence among the population of the five Caribbean metropolitan areas was for assault and threat of assault (Caribbean average of 6.8%).** In contrast to property crimes, the level of assault and threat is much higher in all five countries than the ICVS global mean for cities (4.4%). In fact, the rate of victimization by assault and threats in the Caribbean is significantly higher than in any other world region in the ICVS database (including 7 cities in Latin America: 4.7% and 10 African cities: 5.2%).<sup>11</sup> When disaggregated, 4.2% of individuals in the region were victims of actual physical assault and 4.1% were victims of threats.

**Figure 7:** one-year prevalence of Robbery in 5 Caribbean capital city metropolitan areas: CCVS 2014/2015



Source: Data from LAPOP/CCVS 2014/2015

### Place of Crime and profile of perpetrators

**The majority of assaults (66.2%) and robberies (62.1%) were committed within the neighborhood or home of the victim.** The relatively high amount of assaults taking place at the victim's home, despite explicit instructions for the respondent not to include incidents of domestic violence, may indicate a high degree of assaults resulting from disputes among neighbors and or close acquaintances which end violently.<sup>12</sup>

**The majority of victims were robbed by strangers (61.3%), while assaults were far more likely to be committed by someone the victim knew (73%).** In most cases assaults were carried out by only one

<sup>11</sup> Van Dijk, J. and Van Kesteren, J. 2015. "Caribbean crime in international perspective; key findings of comparative victimization." Report commissioned by the Inter-American Development Bank (Unpublished).

<sup>12</sup> Such an explanation is supported by literature indicating the intensification of interpersonal conflict and the growth of a "culture of violence" in the region (Harriot, 2008).

individual, while robberies were likely to be committed in groups of two or more. It is notable that in Paramaribo and New Providence close to 1 in 10 robberies were committed by groups of six or more.

**Figures 8:** One year prevalence of Assault and Threat - 5 Caribbean capital city metropolitan areas: CCVS 2014/2015



Source: Data from LAPOP/CCVS 2014/2015

### Weapons used in crimes

**According to Caribbean respondents, weapons (gun, knife, glass bottle or other) were used in 66% of robberies, 47.6% of assaults and 37% of threats.** In the case where a weapon was used, the use of hand guns was significantly higher in robberies in KMA (70.2%), PSMA (58.2%) and New Providence (51.7%) compared to GBA and Paramaribo where handguns were only used 33.3% and 38.9% of the time respectively. In the case of assaults with a weapon hand guns were more likely to be used in PSMA (54.4%) and New Providence (41.4%). In the Caribbean a gun was present in twice as many instances compared to other capital cities in the world.<sup>13</sup>

### Violence in the home

More than one in three (34.4%) Caribbean adults reported to approve or condone wife beating if she is unfaithful, which is significantly higher than the Latin American average (5.7 pp difference).<sup>14</sup> Tolerance was highest in Suriname (46.3%), followed by the Bahamas (37.1%) (Figure 8). Moreover, one quarter (25%) of Caribbean people also approved of, or understood a husband beating his wife when she neglected household chores, a rate also higher than the Latin American average (difference: 10.8 pp).

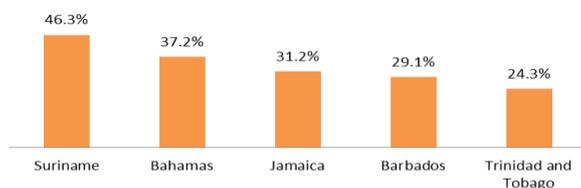
**The majority (66%) of Caribbean respondents (65% of males and 68% of females) say that it is necessary to**

<sup>13</sup> Van Dijk, J. and Van Kesteren, J. 2015

<sup>14</sup> LAPOP datasets 2014/2015. Latin American Average includes: Mexico, El Salvador, Nicaragua, Colombia, Ecuador, Paraguay, Venezuela, and Dominican Republic.

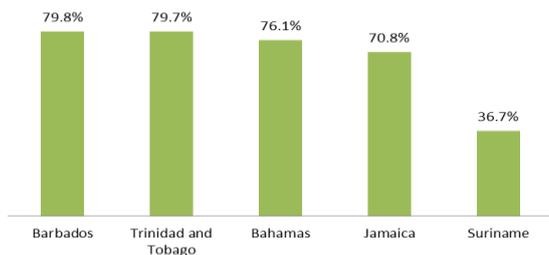
**physically discipline a child who misbehaves.** Evidence is increasing that physical punishment of children can have long-lasting, negative effects. However, Caribbean respondents were significantly more likely to believe it is necessary to use physical punishment on children than Latin Americans<sup>15</sup> (2.7% more likely to say always, 5.9% most often and 26.3% sometimes).<sup>16</sup>

**Figure 9:** Approval or understanding of wife-beating in case of infidelity



Source: Data from LAPOP 2014/2015

**Figure 10:** Acceptance of child physical discipline



Source: Data from LAPOP 2014/2015

## Conclusions

**Some countries in the region are characterized by particularly high levels of violence, especially homicides and assault.** This is true for Jamaica, The Bahamas and Trinidad and Tobago. Specific factors associated with this violence are further explored in the forthcoming IDB regional report, including gang violence, neighborhood characteristics and the use and availability of firearms. Targeted policies and programmes focused in these areas are priorities for reducing violence in the region.

<sup>15</sup> Latin American Average includes: Mexico, El Salvador, Nicaragua, Colombia, Ecuador, Paraguay, Venezuela, and Dominican Republic.

<sup>16</sup> Numerous studies have linked spanking to increased child aggression, antisocial behavior, and mental health problems (e.g., Berlin, Ispa, Fine, et al., 2009; Gershoff, 2002; Grogan-Kaylor, 2005; Maguire-Jack, Gromoske, & Berger, 2012; Taylor, Manganello, Lee, & Rice, 2010). Results from three ongoing longitudinal studies by Stattin reveal a correlation between risk factors (including physical discipline of children) and future criminality, drug and alcohol abuse.

**Levels of property crimes are relatively on par with international averages.** Potential ways to reduce property crimes might include a combination of security measures (alarms, community mobilization, and situational crime prevention measures) and improved control of second-hand markets (i.e. car parts). Victimization of businesses might be reduced through concentrated Problem-oriented Policing (POP) in areas of high commercial crime, targeting repeat offenders, repeat victims and disrupting markets for stolen goods. Additionally, the private sector is now emerging worldwide as one of the new contributors to community safety. Over the last decade, interest in public-private partnerships (PPPs) in the area of crime and violence prevention has grown with some promising examples.<sup>17</sup>

**Approval or acceptance of intimate partner violence and child physical discipline is on average higher in the Caribbean than in Latin America.** Even though legislation on sexual violence, domestic violence and child abuse in the countries seems to be relatively complete, this type of violence is often sanctioned more by cultural beliefs and attitudes than by the law. Interventions to change social norms around the use of violence, including small group/community participatory workshops and larger-scale educational entertainment campaign efforts, could possibly help to reduce levels of interpersonal violence in the region. Prioritizing programs that aim to stop violence in the home before it occurs may also have positive effects on the overall levels of violence and crime in the Caribbean.

**Several promising programs to prevent and suppress violence and crime are already being implemented in the region.** The IDB supports Citizen Security Programs in almost all of its borrowing countries, including four in the Caribbean. The projects in the Caribbean aim to prevent crime and violence through interventions addressing individuals, families and community risk factors. However, the region is still in urgent need of more evidence-based and data-driven programs that tackle violence at different stages (before, during and after it occurs). The lack of rigorous evaluation of existing programs makes it difficult to determine if programs should be adjusted, scaled up or replicated. There are signs of a shift in recognition of the importance of evaluation as new projects now include evaluations in their design. However, much work is still needed in order to overcome and address the challenges related to the lack of evidence on the impact of these interventions and the limited quality data on crime and violence to guide policy-making.

<sup>17</sup> Some examples include Business Development Districts (BIDs) and Target's "Safe City" program.



# THE BAHAMAS

# A FISCAL SURPRISE

## Overview

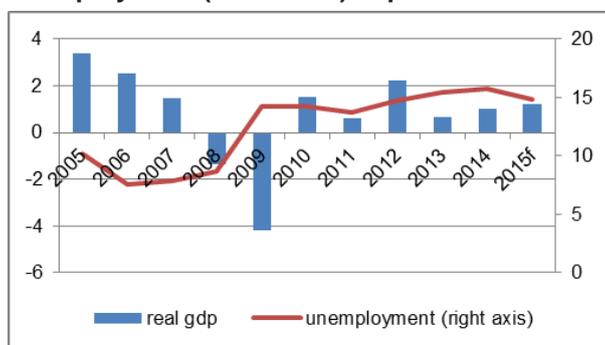
**Economic activity in the Bahamian economy remains sluggish through beginning of 2016.** Tourism performance advanced although the sea arrivals, the main arrival category abated. However, high levels of joblessness persisted which has supported low credit quality in the banking system. In contrast, fiscal developments featured a higher than expected VAT collections rate, leading to a significantly lower deficit, while debt still stands at 65.8% of GDP.

## Recent Developments

**Real sector data indicate strong performance despite mild slippages.** Tourism industry data reported total arrivals at 5.0 million by October 2015. Reports indicate that growth in the US market supported increases in air arrivals by 4.5%, while the main sea arrival category declined by 5.3% during the period. Arrivals in New Providence fell by 8.0% to 2.7 million, while visitors to the Family Islands declined by 5.9% to 1.5 million. Advances were recorded for Grand Bahama by 25% to 0.8 million. The country is looking to capitalize on the medical tourism industry to increase total arrivals in the country in the near future, Grand Bahama in particular.

**Labor force data indicated an increase in the national unemployment rate to 14.8%, due to the 2,000+ layoffs from the stalled \$3.5 billion BahaMar resort, according to the December 2015 survey.** The survey indicated that rates increased in both New Providence and Grand Bahama to 15.9% and 14.2%, respectively. The youth unemployment rate continues to hover around 30%, while the rate of discouraged workers in the country declined by 30 per cent over the six-month period.

**Figure 1: The Bahamas – Growth and Unemployment (2005-2015) in percent**



Notes: f- forecasted data

**VAT collections are reported to be on track to reach a net targeted annual figure of about \$350 million for FY2015/16.** Reported high compliance levels for

## Highlights

*Election season is in swing with elections due by May 2017.*

*First year of VAT show higher than expected collections, lowering the fiscal deficit.*

*Unemployment tapers slightly but remains at double digit levels.*

VAT registrants have supported the government's revenue collections. As a result, the deficit has been halved to \$134.1 million (1.6% of GDP) during the first 5 months of the FY2015/16. Revenue increased by \$209.2 million (39.8%) to \$735.5 million which overshadowed the lesser increase in expenditure to \$869.6 million. It is expected that these levels of net collections will provide the GoBH room to further improve its fiscal position.

## IMF visit highlights main economic challenges and areas exhibiting improved economic management.

The Fund's findings from the December 2015 visit concluded that main challenges for The Bahamas include the low growth environment, implementing necessary structural reforms to support strong and inclusive medium-term growth and competitiveness; rebuilding fiscal and external buffers; and introducing policies to preserve financial sector stability. Key assessments concluded that GDP growth remains modest, and it is projected to rise only to 1.5 percent in 2016 due to delays in the opening of BahaMar. The report continued to indicate that gross international reserves remain low, and the large share of non-performing loans (15 percent of total loans at end-October) continues to constrain bank lending. Further, central government debt is estimated to have increased but the introduction of a broad-based VAT, with a low standard rate and few exemptions, has contributed to fiscal consolidation. Assessments also indicated that reports of VAT implementation thus far are encouraging, with revenue exceeding expectations.

## Inflation continues to be low, despite the moderate rise in the retail price index.

Data on the twelve months to September 2015 - latest information available – saw a rise by 52 basis points in the index to 1.04% over the corresponding period of 2014. Official reports indicate a decline in the domestic energy costs reflecting the fall in global oil prices. As a result, the fuel charge at the utility company was lowered by 11.2% month-on-month in December to 8.91 cents per kilowatt hour (kWh) and by 62.1% annually.

**The current account deficit grew to 22.2% of GDP in 2015, but is expected to decline to 12.4% of GDP by**



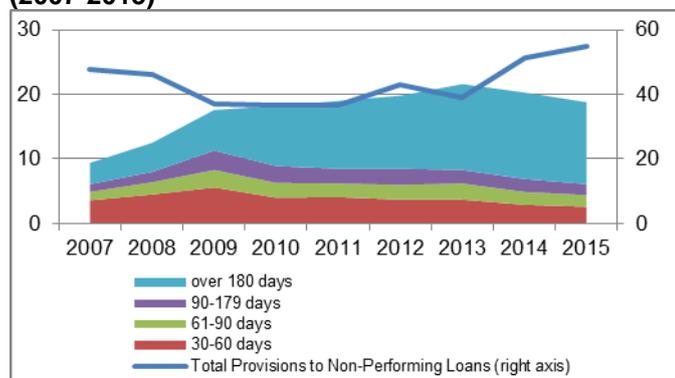
# THE BAHAMAS

# A FISCAL SURPRISE

**2016.** The deficit continued to expand, related to tourism income and the BahaMar resort construction related imports. As a net importer of oil, the decline in prices would have a positive impact on the country, and lighten the burden of the Bahamas Electricity Company (BEC), which entered into a five-year management contract with PowerSecure last year. At end-December 2015, international reserves stood at US\$808.4 million (over 12 weeks of imports). If reserves are compared with reserve money and M2, the proportions are low by international standards.

**Private sector credit continues to be undermined by high unemployment and tight lending policies in the banking system.** At year-end 2015, private sector credit fell by 1.1% owing to lower mortgage lending and commercial and other lending during the period. Credit quality data indicated that total private sector loan arrears declined by 0.8% over the quarter, and by 14.3% on an annual basis as at September 2015 (latest data available). As a result, the ratio of arrears to private sector loans decreased by 28 basis points over the three-month period and by 2.9 percentage points year-on-year, to 19.6% due to the decline in the commercial component. This led to a fall in both the quarterly and yearly arrears ratios by 4.4 and 13.1 percentage points, respectively, to 23.6%. In related financial sector challenges, the loss of correspondent banking relations (so called de-risking) has not substantially materialized in The Bahamas; however, going forward it poses some concern in terms of endangering cross border transactions, as it does for most Caribbean countries.

**Figure 2: Loan Arrears in percent of total loans (2007-2015)**



Source: The Central Bank of The Bahamas

**In February 2016, unreleased details of a possible Bahamar resolution resulted in a court-ordered adjournment of the winding up petition until May 2.** Prior to this, in October 2015, the joint provisional

liquidators received approval in the Bahamian courts to terminate approximately 2,200 staff; Deloitte and Touche was appointed as receivers on behalf of the China ExIm Bank. Analysis conducted by the official sources estimate that the resort has accounted for an estimated 5% of GDP in 2011-2012 and is expected to rise to about 12.8% of GDP once fully operational.

### National Health Insurance (NHI)

**Changes are being made to the newly launched NHI.** Despite its January 1, 2016 launch date, the GoBH is said to be introducing changes to the NHI scheme after local doctors expressed concerns about the GoBH's plans under the scheme. Main areas under review include capitation and patient-centered medical homes (PCMH). Doctors expressed the opinion that payment rates being offered were too low, after which the GoBH decided to review the costs and make adjustments. Also, the GoBH is considering whether to provide doctors a choice to opt out of the PCMHs and provide services as sole practitioners. Concerns raised by the Bahamas Insurance Association (BIA) have called into question whether the NHI model is suitable for the Bahamian context.

### Tax incentives under the Hawksbill Creek Agreement's (HCA), will be extended for a further six months.

The tax incentives which were set to expire in August 2015 were extended to February 4, 2016. The House of Assembly has now been asked to approve the additional extension for further examination of the HCA, the business license and real property tax exemptions. Reports indicated that the GoBH previously commissioned international consulting firm, McKinsey & Co., to conduct a study on the expiring incentives. It then appointed a six-member committee to produce a report on both those tax breaks and Freeport's long-term future. News reports further indicated that the McKinsey report had warned that up to 1,100 jobs could be lost in Freeport if it were to 'trade off' employment for \$80-\$100 million in extra revenue generated by allowing those incentives to expire.

High-Frequency Macroeconomic Indicators				
	Last data	Period	Prior data	Period
Annual GDP growth (%)	1.0	2014	0.7	2013
Tourism arrivals (annual % change)	2.8	Dec-14	3.5	Dec-13
Exports (12-month growth)	-18.2	Q1-2015	-11.1	Q4 2014
Imports (12-month growth)	10.7	Q1 - 2015	3.2	Q4 2014
Private sector credit growth (%)	-3.5	Feb-15	-0.9	Jul-14
Inflation	1.3	May-15	0.4	Apr-14
Exchange rate (end of period)	1.00	Aug-15	1.00	May-15
Unemployment rate (%)	14.8	Dec-15	15.7	Nov-14

Source: The Central Bank of The Bahamas



# THE BAHAMAS UNDERSTANDING CRIME AND VIOLENCE

## Introduction

Levels of violent crime in The Bahamas have consistently risen during the past decade. Even though the aggregated rates of reported violent and property crimes have declined slightly since peaking in 2011, the most violent crimes – specifically murder, rape, and armed robbery – have increased over the last 10 years.<sup>1</sup> It is not surprising that in 2014, a considerable amount of Bahamians (46.1%) identified crime as the most important problem faced by the country.

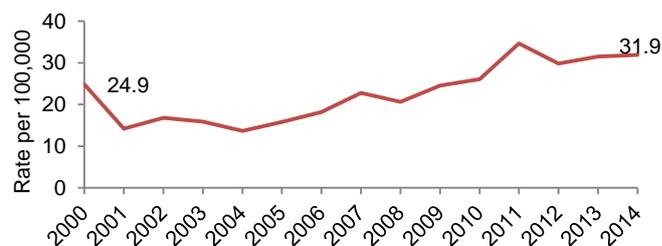
The costs of crime to the government and private sector are high. Government expenditure on security-related agencies was 13.3% of national recurrent expenditure for 2013-2014.<sup>2</sup> The projected impact of homicide on GDP growth is also among the highest in the region, given the high and increasing homicide rates over the period. According to estimates, GDP growth could have been higher by 0.6% if The Bahamas had followed the same homicide growth rate as the global average between 1995 and 2011.<sup>3</sup> The prevalence of firms victimized by crime (23%) is on par with the Caribbean average. More than half of the firms surveyed (76%) reported paying for security. Financial loss from crime represented 2.5% of annual sales of private firms,<sup>4</sup> while expenditure on security<sup>5</sup> represented 3.8% of annual sales.<sup>6</sup>

## The Issues and Challenges

The murder rate in The Bahamas has more than doubled in the last 10 years and is now among the highest in the Caribbean region. In 2014, the homicide rate was 31.9 per 100,000 population, which was nearly double the average homicide rate for the

Caribbean region (16 per 100,000) and far above the global average of 6.2 per 100,000.<sup>7</sup>

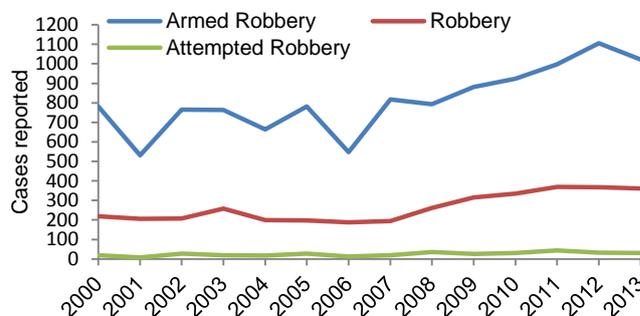
**Figure 1: Homicide Rate Per 100,000 Populations, 2000-2014**



Sources: Data provided by the Royal Bahamas Police Force, Strategic Policy and Planning Unit. The murder rate was calculated using population estimates (Medium Fertility) by the United Nations Department of Economic and Social Affairs Population Division (UNDESA, 2013).

Reported armed robberies have increased 81% (from 199 in 2004 to 361 in 2013) and reported rapes have increased by 17% since 2004, according to Police data.

**Figure 2: Number of Robberies, Armed Robberies, and Attempted Robberies, 2000–2013**



Source: Data provided by the Royal Bahamas Police Force.

Victimization rates in New Providence were high in 2014, with 18.7% of respondents having been victims of at least one crime: theft (6.6%), assault and threat (8.8%), vehicle theft (4.7%) and burglary (4.5%).<sup>8</sup> The Bahamas has the second highest indirect victimization in the region after Jamaica, with 32.7% of survey respondents having witnessed a serious attack, shooting, or beating that resulted in injury or murder and 37.1% of them having lost someone close to violence in their lifetime.<sup>9</sup>

<sup>1</sup> Analysis provided by the Royal Bahamas Police Force 2000-2013.  
<sup>2</sup> This percentage was calculated by including the National budgets available from [the Bahamas Ministry of Finance](http://www.bahamas.gov.bs) from: The Attorney General and Ministry of Legal Affairs, Judicial Department, Court of Appeal, Bahamas Department of Correctional Services, Ministry of National Security, Royal Bahamas Police Force and the Royal Bahamas Defense Force.  
<sup>3</sup> To estimate the impact of crime on growth, cross-country panel data on homicide rates (UNODC) and GDP growth can be used from 1960-2014. The results show that world-wide, an increase of 1 in a country's homicide rate per 100,000 is associated with a 0.8 percentage point reduction in economic growth.  
<sup>4</sup> Note that only 83% of firms experiencing losses due to crime responded this question.  
<sup>5</sup> Note that only 75% of firms paying for security services responded to this question.  
<sup>6</sup> The PROductivity, TEchnology and INnovation survey (PROTEqIN) was launched in 2013/2014 by the IDB and Compete Caribbean, covering 13 Caribbean countries. See: [http://competecaribbean.org/wp-content/uploads/2015/05/Technical\\_note\\_PROTEqIN\\_and\\_LACES-final.pdf](http://competecaribbean.org/wp-content/uploads/2015/05/Technical_note_PROTEqIN_and_LACES-final.pdf)

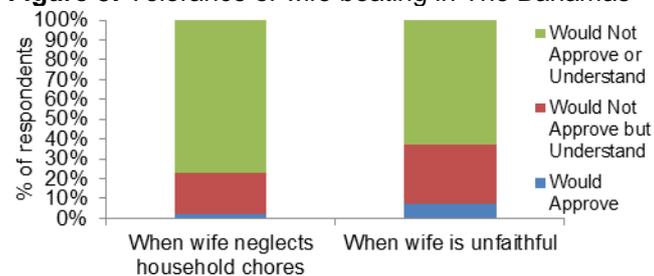
<sup>7</sup> UNODC, 2014, pp 22-23.  
<sup>8</sup> In 2014 the IDB designed a victimization module for 5 common crimes across the Caribbean, which was included in the 2014/2015 LAPOP survey of five Caribbean countries. Results will be presented in a forthcoming report in 2016.  
<sup>9</sup> The Caribbean averages being 25.9% and 24.7% respectively.



# THE BAHAMAS UNDERSTANDING CRIME AND VIOLENCE

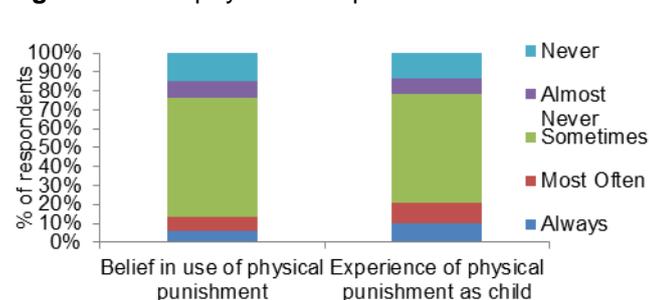
**There is strong evidence that violence is learned in the home when children experience violence.** In The Bahamas, one in five (22.7%) adults approves of, or understands, a man beating his wife if she neglects household chores. Thirty-seven percent would approve or understand if she is unfaithful (Figure 3). LAPOP data further suggest that The Bahamas has one of the highest levels of acceptance of child physical discipline in the region (Figure 4). Moreover, studies show that violence against children is regarded as abuse only when it results in severe physical harm to the victim (Brennen, et al., 2010).

**Figure 3: Tolerance of wife beating in The Bahamas**



Source: LAPOP Bahamas dataset 2014

**Figure 4: Child physical discipline in The Bahamas**



Source: LAPOP Bahamas dataset 2014

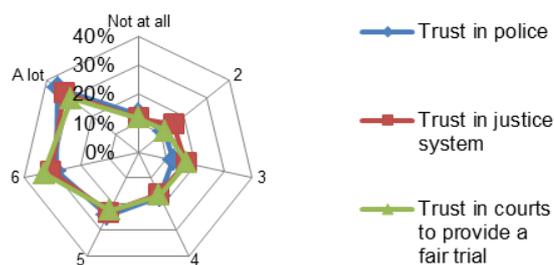
**Even though crime has become a growing problem in recent years, Bahamians still have the highest levels of trust throughout the region in the police, the legal system and the courts to provide fair trials** (figure 5). The relatively higher rates of crime reporting in The Bahamas (74% vs Caribbean average of 57%) support this finding. These high levels of trust may be related to the high number police to population ratio (nearly 800 per 100,000 inhabitants)<sup>10</sup> which is far above the international average (300 per 100,000).<sup>11</sup> They may be related to the lower levels of violent confrontations between the police and citizens, or better community-police relations. Regardless, these results

<sup>10</sup> The RBPF has roughly 3,000 police officers.

<sup>11</sup> [https://www.unodc.org/documents/data-and-analysis/Crime-statistics/International\\_Statistics\\_on\\_Crime\\_and\\_Justice.pdf](https://www.unodc.org/documents/data-and-analysis/Crime-statistics/International_Statistics_on_Crime_and_Justice.pdf)

represent potential for progress in terms of citizen participation, crime reporting, accountability, and public cooperation. Positive community relations are also an essential ingredient for effective police intelligence and investigation.

**Figure 5: How much do you trust the police, justice system and courts to provide a fair trial? (1=Not at all, 7=A lot)**



Source: LAPOP Bahamas dataset 2014

## Conclusions and Policy Implications

**The Bahamas has created programs to tackle crime and violence, but increasing rates of crime and violence require much more action.** In 2011 and 2013 two different administrations put forward legislative anti-crime packages that, among other measures, proposed increasing sentences for particularly grievous crimes. However, the number of crimes committed, cases before the courts and the prison population have continued to increase. The major crime and violence initiatives under the current administration are outlined within the framework of *Project Safe Bahamas*, which involves four major components: *Operation Ceasefire*, *Urban Renewal 2.0*, *Swift Justice Initiative*, and *Safe Bahamas*.

**While many promising programs have been identified, most have been in place for less than two years, or have undergone major structural and programmatic changes in the past five.**<sup>12</sup> In some cases this was due to a change in government (e.g., Urban Renewal 2.0) or, in the case of many NGOs, to changes in funding availability. Also, none of the programs had undergone impact evaluations and many did not provide basic data on outputs (beneficiaries, activities realized, etc.), let alone changes at the outcome level. These observations suggest that The Bahamas may be on the right track, but could take some of the guess work out of the equation by politically, administratively, and financially prioritizing evidence-based programs and their evaluation.

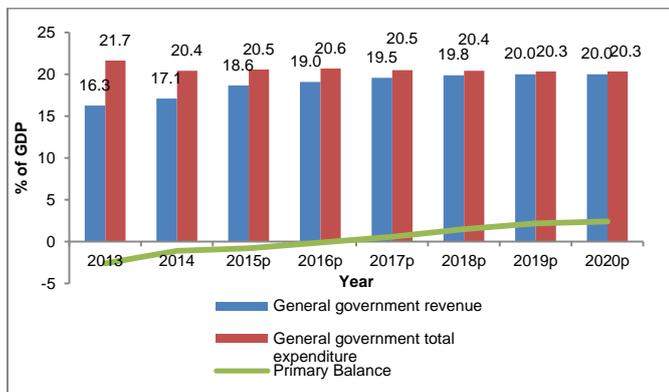
<sup>12</sup> A forthcoming IDB report by the authors identified 33 programs and interventions with the objective of reducing crime and/or violence.



# THE BAHAMAS A SNAPSHOT OF THE BAHAMIAN ECONOMY

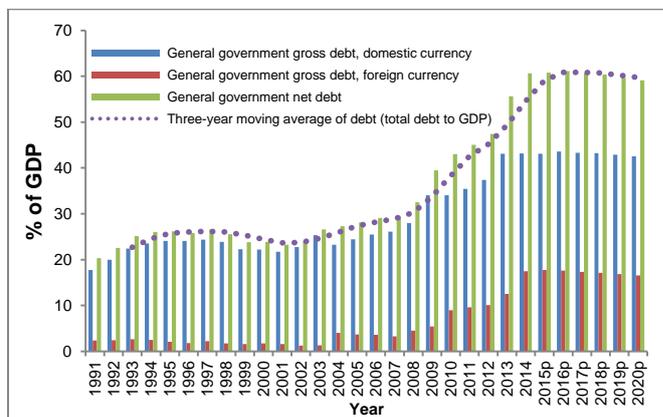
Primary Balance is Improving...

Figure A: Primary Balance and Components (2013–2020)



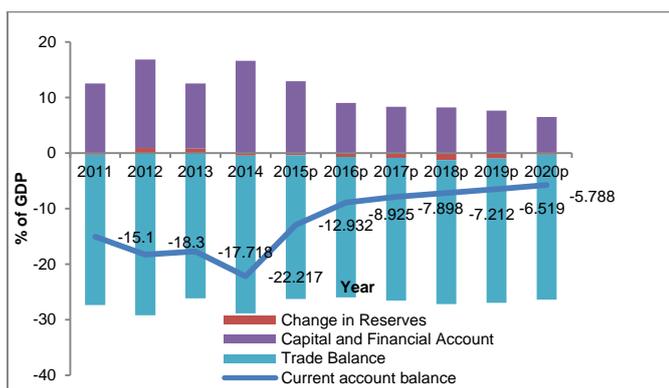
Debt is growing but expected to decline...

Figure B: Components of Debt (1991–2020)



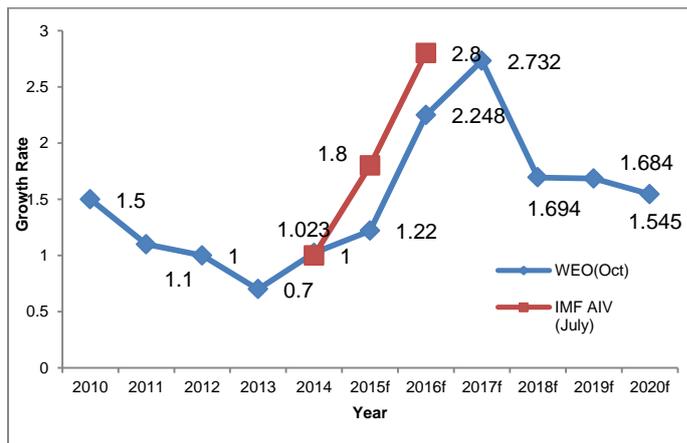
Current account deficit is large...

Figure C: Current Account Deficit (2011–2020)



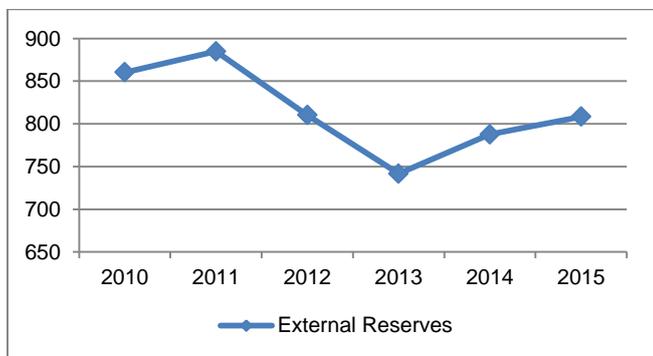
Growth is low...

Figure D: Real GDP Growth (2010–2020)



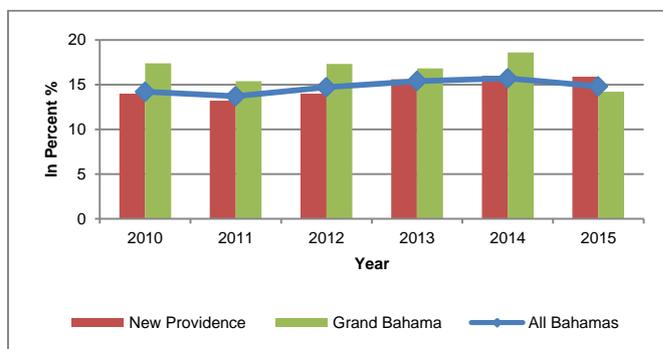
Gross International Reserves are low...

Figure E: Gross International Reserves (2010–2015)



Unemployment is still high...

Figure F: Unemployment Rate (2010–2015)



Source: The Central Bank of the Bahamas; Ministry of Finance; Department of Statistics; WEO, Article IV. Notes: f – forecasted data

**THE BAHAMAS**
**Table 1: Selected Indicators (2009-2014)**

	2009	2010	2011	2012	2013	2014
(Annual percentage changes, unless otherwise indicated)						
<b>Real Sector - Department of Statistics/IMF</b>						
Real GDP	-4.2	1.5	1.1	1.0	0.7	1.2
Nominal GDP	-5.2	1.1	0.3	3.6	2.5	5.4
Inflation (end of period) - Central Bank	1.3	1.4	3.2	1.9	0.4	2.0
<b>External Sector - IMF</b>						
Exports of goods and services	-9.3	-6.2	1.6	16.0	2.1	3.1
Imports of goods and services	-20.2	2.9	-1.0	9.4	2.4	3.7
Current account (percentage of GDP)	-10.3	-10.1	-15.3	-18.4	-19.6	-22.2
FDI (percentage of GDP)	9.6	12.2	12.3	7.1	n.a.	n.a.
(In percentage of GDP, unless otherwise indicated, on a fiscal year basis)						
<b>Central Government - Ministry of Finance</b>						
	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Revenue and grants	16.5	16.6	18.3	18.1	16.4	17.1
of which: tax revenue	14.4	16.4	16.2	14.9	15.9	16.9
Recurrent Revenue	n.a.	n.a.	17.9	16.6	17.4	19.4
Total Expenditure	21.0	20.9	22.9	23.7	23.0	22.3
Recurrent Expenditure	n.a.	n.a.	20.4	20.0	20.1	19.9
Current Expenditure	18.1	19.3	19.7	19.0	19.7	19
Capital Expenditure			4.9	4.2	3.4	3
Primary balance	-2.7	0.5	-3.1	-3.8	-2.8	-0.3
Overall balance	-4.4	-3.2	-5.5	-6.3	-5.4	-3.2
<b>Debt Indicators - IMF &amp; Ministry of Finance</b>						
Central Government Debt - Min of Finance	42.5	47.2	48.4	56.3	60.9	65.8
Central government debt over revenues - IMF (aligned with MTFP)	20.4	4.5	8.1	4.0	n.a	n.a.
External public debt (end of period) - IMF	9.8	11.6	13.2	17.8	17.8	19.7
External debt service as percentage of exports of goods and services - IMF	24.7	11.1	8.0	7.4	11.3	4.9

Source: Central Bank of the Bahamas.

<sup>a</sup> Department of Statistics, IMF.

<sup>b</sup> IMF.

<sup>c</sup> Ministry of Finance.

<sup>d</sup> IMF, aligned with government's Medium Term Fiscal Plan.



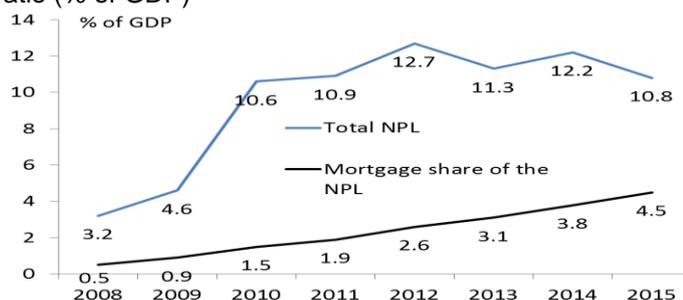
## BARBADOS A LIQUID AND STABLE FINANCIAL SECTOR

### Recent Economic Developments

**A favorable external environment eased macro-management in 2015.** Tourism arrivals rebounded, and lower oil prices contributed to improve Barbados's external position. At the same time, domestic factors took toll on economic growth. Fiscal consolidation reduced the fiscal deficit, but is yet to stabilize the increase in public debt. Inflation remained below 2% for the duration of 2015, and unemployment fell slightly. Overall, these indicators suggest that Barbados's economy continues to muddle through turbulent times, but is benefitting from external factors.

**Barbados saw marginal economic growth at 0.5% in 2015.** It was a great year for tourism with long-stay arrivals growing by 13.7% and reaching almost 592 thousand visitors from its major source markets: U.S.A that grew by 25.3%, Canada 14% and the United Kingdom 13.4%. Tourism GDP increased by 5.9% in 2015. The economic recovery across the main source markets, and a more aggressive marketing strategy by American carriers, which increased their airlift with more flights and frequencies, drove this demand. However, the tourism recovery was offset by less dynamic non-tradable segments, like construction that fell by 1.7%, distribution and retail sector by 0.3%, and business services, which marginally grew 0.5%.

**Figure 1.** Commercial Banks Non- Performing Loans ratio (% of GDP)



Source: CBB, Financial Stability Report 2015

**Fiscal consolidation reduced the fiscal deficit over time.** The overall balance declined from -11.3% of GDP for FY2013/14 to 6.9% by FY2014/15 and the deficit is likely to further narrow by the end of FY2015/16. However, in March when the fiscal year closes, it would likely be above the 4.7% of GDP target and higher than 5%. On the revenue side, 7.4% lower Value Added Tax (VAT) receipts were the combination of weaker private consumption and lower imports. Revenues declined as a result of lower excises from oil imports. On the expenditure side, current spending declined by 1.7% at the end of December 2015 compared to twelve months prior.

### Highlights

*Barbados's economy saw marginal growth at 0.5% in 2015.*

*The financial sector remains stable, highly liquid, and capitalized.*

*The ratio of non-performing loans (NPL) declined in the commercial banking sector to 10.8 percent by September 2015.*

*Lower commodity prices and weak domestic demand contained inflation.*

### Progress was made on the clearance of arrears.

According to Prime Minister Freundel Stuart, US\$60 in tax refunds were paid for the 2013 filing period. Of these, US\$13 million went towards VAT refunds while the remainder went to income and corporation tax refunds. However, arrears for the 2014 period are yet to be settled.

### The Budget continued to be financed from domestic sources.

During the period April to December 2015, the first three quarters of the fiscal year, the Central Bank of Barbados provided US\$201.8M (or 82% of total financing). Commercial banks (US\$70.05M), private non-bank individuals (US\$43.15M) – mainly through the Governments savings bonds – and the National Insurance Scheme (US\$21.3M) provided the remaining financing<sup>1</sup>. At the same time, Barbados's national debt increased by 7.8 percentage points in 2015 to 142% of GDP (inclusive of NIS) from 134.2% of GDP in 2014.

### Lower commodity prices and weak domestic demand kept inflation low.

Inflation fell to -0.2% at the end of October 2015, compared with 1.7% a year earlier. However, unemployment remained elevated at 11.8%, which affected household consumption and kept inflation in check during the year.

### Barbados's financial sector remains stable, highly liquid, and well capitalized.

The ratio of non-performing loans (NPL) in commercial banks, which had escalated rapidly after the 2009 downturn, declined to 10.8% by September 2015 from 12.2% a year earlier. However, the share of NPLs associated with mortgages increased to 4.5% of GDP, accounting for 40% of the non-performing portfolio. Across credit unions, NPLs reduced to 8.9% from 9.1% of GDP over the same period. Moreover, capital adequacy ratios remained high at 20.6% and above the CBB's 8% minimum requirement. Profitability increased slightly among commercial banks with 0.8% return on assets, and 0.4% for credit unions, by the end

<sup>1</sup> US\$31M of the financing from private non-bank individuals represents investments in the Government of Barbados Savings Bonds.

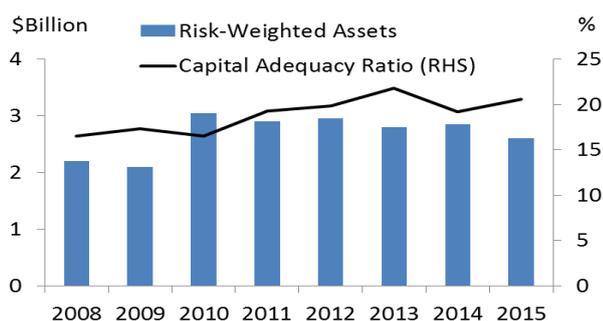


## BARBADOS A LIQUID AND STABLE FINANCIAL SECTOR

of Q3 of 2015. There is liquidity in the Barbados financial system with loans to deposit ratios of 66.4% among commercial banks and 90.9% among credit unions by the end of September 2015. At the same time, private credit demand remains weak and declined by 0.6% year-on-year by the end of the third quarter in 2015 in the commercial banking sector. There was 7% credit growth among credit unions for the same period. (Figures 1 and 2).

**The Central Bank of Barbados and the Financial Stability Board (FSB) Regional Consultative Group (RCG) for the Americas met in December 2015** to discuss financial stability reforms amid the risk of further de-risking by correspondent banks. De-risking refers to correspondent banks restricting or terminating their relationships with local banks in order to protect themselves from failing to comply with anti-money laundering and new regulations on terrorism financing (AML/CFT). These disruptions have become a burden for firms doing business in the Caribbean and it is affecting legal cross-border transactions, trade and investment. The RCG accepted the FSB's four-point action plan which includes: (i) further examination of the dimensions and implications of de-risking; (ii) clarifying regulatory expectations of AML/CFT; (iii) engaging in domestic capacity-building in high-risk jurisdictions; and (iv) strengthening the tools for due diligence by correspondent banks.

**Figure 2. Commercial Banks Capital Adequacy Ratios**



Source: Central Bank of Barbados

**The Central Bank of Barbados has launched an Enhanced Credit Guarantee Fund aimed at improving productivity in Small and Medium-sized Enterprises (SMEs).** The guarantee fund is aimed at increasing access to finance for SMEs.<sup>2</sup> Access to finance has been identified as one of the binding constraints to doing business in Barbados. It seeks to address the challenges of higher risks and lack of adequate collateral, which prevent SMEs from accessing loans from commercial

banks and financial institutions, through a guarantee covering up to 80% of the nominal amount. The Fund will provide loans to SMEs with fewer than 200 employees, and annual sales or total assets of not more than US\$10 million.

**Barbados's primary electricity company is planning to build a solar-powered plant in 2016.** The Barbados Light and Power Company (BL&P) has announced plans to build a 10MW solar photovoltaic generating plant as it seeks to transition away from fossil fuels. The plant is to be built at a cost of US\$20 million and will generate savings of US\$5 million in fuel according to the BL&P. The plant is expected to employ between 60 and 80 skilled workers during the construction phase. This will contribute to reducing the cost of electricity in Barbados which has been identified as a binding constraint to doing business in the country.

### Economic Outlook

**The Central Bank of Barbados is projecting 1.8% growth in 2016.** Strong tourism performance would be driven by the continued recovery across the main source markets and the additional airlift. If tourism-related construction projects start as scheduled over the second semester of the year, the construction sector would be more dynamic leading the non-tradable sectors.

**Fiscal consolidation would continue.** A greater effort would be required to stabilize public debt and 2016 could see the implementation of new tax measures and austerity. However, further reducing the financing needs on the expenditure side would be subject to revisions to transfers and subsidies to state-owned enterprises.

**The current account deficit would gradually continue to improve in 2016.** International oil prices would likely remain low and contain the oil import bill. At the same time, a more dynamic export sector, tourist arrivals and receipts would contribute more to lower the current account balance. Low international oil and commodity prices and fiscal consolidation would combine to contain inflation to below 2%.

High-Frequency Macroeconomic Indicators				
	Last Data	Period	Prior Data	Period
Annual GDP growth (%)	0.5	Dec-15	0.3	Sep-15
Tourism arrivals (annual % change)	13.5	Dec-15	14.5	Sep-15
Nonperforming loans (%)	10.8	Sep-15	11.0	Jun-15
Private sector credit growth(%)	-0.3	Oct-15	0.6	Sep-15
Foreign Exchange Reserves cover, weeks	13.8	Dec-15	14.4	Sep-15
Inflation	-0.2	Oct-15	0.2	Aug-15
Unemployment rate (%)	11.8	Dec-15	12	Jun-15

Source: Central Bank of Barbados

<sup>2</sup> The Enhanced Credit Guarantee Fund is funded through a US\$35 million loan from the Inter-American Development Bank and the China Co-financing fund for Latin America and the Caribbean



## Introduction

While many Caribbean countries have suffered from high levels of homicide since 2000, Barbados is a notable exception with low homicide rates. Victimization data show that while property crime has decreased slightly over the last 10 years, violent crime is relatively high and increasing. The fact that the majority of armed crimes are still committed with knives instead of firearms may be one important factor reducing the likelihood that assaults and robberies end in homicides. While there are signs of increasing concern about crime in Barbados, particularly considering the country's heavy dependence on tourism, only 14.1% of Barbadians identified crime related issues as the biggest problem facing the country, a proportion that fell well below the Caribbean average (44.3%).

The direct cost of crime is relatively low for the region. In fact, a projection exercise shows that had Barbados experienced the same homicide growth rate as the global average during the period 1995-2011, its GDP growth would have been higher only by 0.2%, far less than other countries in the Caribbean.<sup>3</sup> In Barbados fewer private firms (12%)<sup>4</sup> reported experiencing losses due to theft and vandalism than the Caribbean unweighted average.<sup>5</sup> These losses amounted to 1.3%<sup>6</sup> of annual sales, which fell under most of the other countries in the region (average 2.3%). However, 67% of firms reported spending money on security, amounting to 1.5% of annual sales.

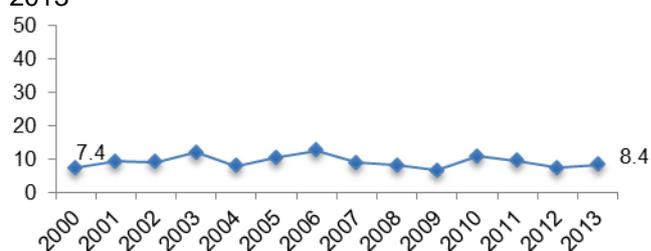
## The Issues and Challenges

While displaying some fluctuation, Barbados has shown somewhat consistently low rates of homicide. In fact, the 2013 rate (8.4/100,000 inhabitants) was considerably lower than the average rate of murder for the Caribbean (16 per 100,000 inhabitants) and only slightly higher than the global rate (6 per 100,000).

Residential burglaries represented the highest number of incidents reported to the police of any property crime between 2000 and 2013. However,

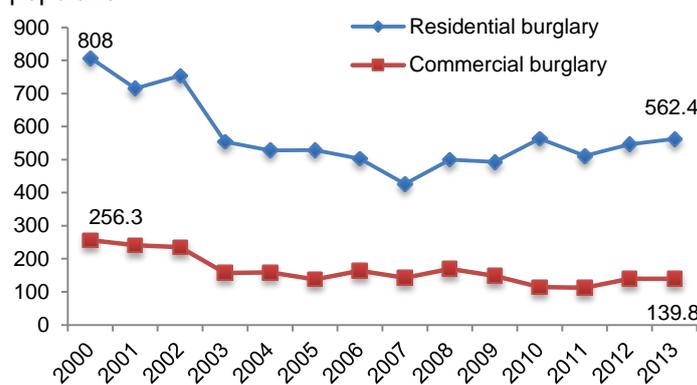
reported cases of residential and commercial burglaries have declined since 2000.

Figure 1: Rate murders per 100,000 population 2000-2013



Source: Royal Barbados Police Force.

Figure 2: Burglaries. 2000-2013 –Rate per 100,000 population



Source: Royal Barbados Police Force

A comparison of the national victimization rates in 2014 with those of 2001<sup>7</sup> shows that *burglary* rates have gone down (3.2% to 1.9%), while rates of *assaults & threats* have gone up significantly (3.2% in 2001 to 5.1% in 2014). Robbery (0.8%; 1.1%) and theft of personal property (2.5% to 2.7%) increased slightly, though not significantly.

Self-reported victimization in 2014, for at least one of five common crimes in the Greater Bridgetown Area (GBA) (10.9%), was higher than at the national level (8.3%). Particularly *burglary* (3.2% vs 1.9%) and *assault & threat* (6.1% vs 5.1%) are significantly higher in the capital metropolitan area (Figure 3).

Despite low levels of homicide, indirect victimization is also high. Thirty percent of respondents reported having witnessed at least one attack resulting in severe injury or death and 28.5% of them reported having lost a close friend or relative to violence.<sup>8</sup>

<sup>3</sup> To estimate the impact of crime on growth, cross-country panel data on homicide rates (UNODC) and GDP growth can be used from 1960-2014. The results show that world-wide, an increase of 1 in a country's homicide rate per 100,000 is associated with a 0.8 percentage point reduction in economic growth

<sup>4</sup> The PROductivity, TEchnology and INnovation survey (PROTEqIN) was launched in 2013/2014 by the IDB and Compete Caribbean. [http://competecaribbean.org/wp-content/uploads/2015/05/Technical\\_note\\_PROTEqIN\\_and\\_LACES-final.pdf](http://competecaribbean.org/wp-content/uploads/2015/05/Technical_note_PROTEqIN_and_LACES-final.pdf)

<sup>5</sup> The Caribbean average includes 13 countries from the region (including 7 OECS countries).

<sup>6</sup> Note that only 40% of firms experiencing losses due to crime responded to this question.

<sup>7</sup> Barbados is the only one of the five countries in the IDB victimization study that conducted a previous ICVS survey (2002).

<sup>8</sup> Levels of reported indirect victimization could conceivably be higher in small island populations.



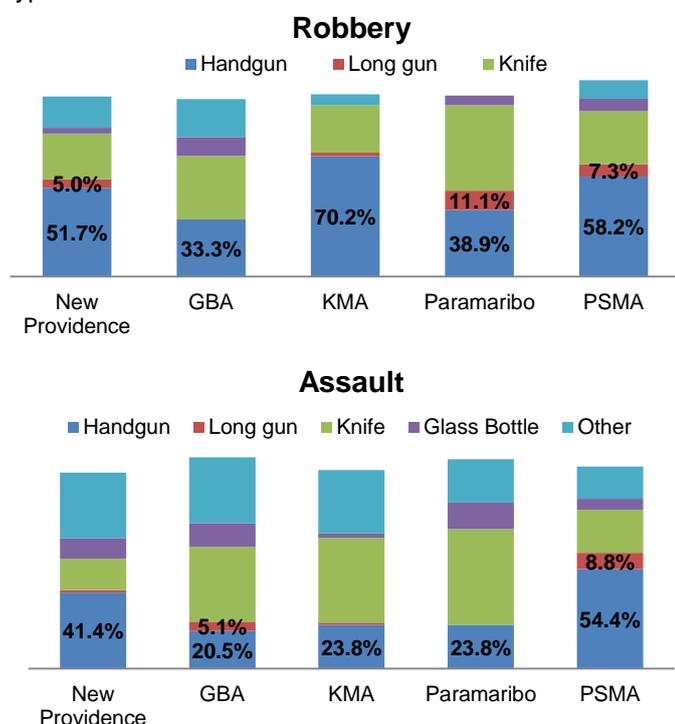
# BARBADOS

# OVERVIEW OF CRIME

### Firearms are used less often in crime in Barbados.

Only 33.3% of robberies involving a weapon in Greater Bridgetown Area involved a gun, while the use of knives (37%), glass bottles (11.1%) and other weapons (22.2%) were among the highest in the region. The use of firearms in assaults and threats was also low compared to the region. The moderate use of firearms might explain why the increasing levels of *robbery* and *assault & threat* have not led to higher homicides.

**Figure 3:** Did the offender have a weapon? If so, what type?\*



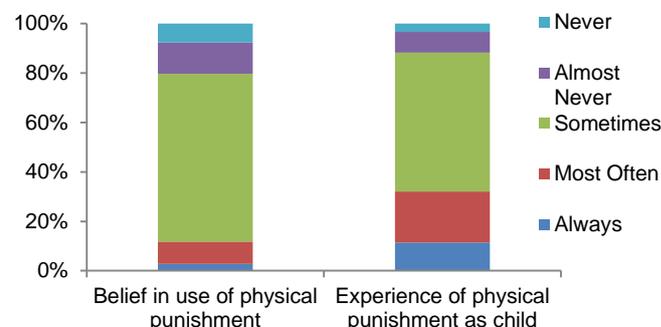
Source: LAPOP Caribbean crime victimization module 2014/2015

**However, not all violence is captured well by police statistics and crime surveys.** Barbados has high acceptance of child physical discipline<sup>9</sup> (79.8% compared to a regional average of 66.5%) and the highest number of respondents that were physically disciplined as children (88.2%) (figure 4). This is particularly concerning because a wide body of international literature has linked physical discipline of children with later emotional problems or propensity for violence and criminal behavior.<sup>10</sup>

<sup>9</sup> Acceptance is defined as belief that physical punishment of children is necessary sometimes, most often or always.

<sup>10</sup> Numerous studies have linked spanking to increased child aggression, antisocial behavior, and mental health problems (e.g., Berlin, Ispa, Fine, et al., 2009; Gershoff, 2002; Grogan-Kaylor, 2005; Maguire-Jack, Gromoske, & Berger, 2012; Taylor, Manganello, Lee, & Rice, 2010). Results from three ongoing longitudinal studies by Stattin reveal a correlation between risk factors (including physical discipline of

**Figure 4:** Child physical discipline in Barbados



Source: LAPOP Barbados dataset 2015

## Conclusion and Policy Implications

Although homicides have remained relatively low in Barbados, both property and violent crimes have created increasing concern among the Barbadian population and require special attention in order to maintain adequate levels of perceived citizen security. There have been 7 legislative changes identified since 2008<sup>11</sup> aimed at improving crime reduction capabilities of the criminal justice system. A mapping exercise conducted by the IDB in 2014/15 identified 5 national policies/plans/strategies<sup>12</sup> and 26 programs/projects which have crime prevention or reduction within their mandate.<sup>13</sup> The majority of the programs address children and youth and their methodologies are focused on care and counselling.

**However, the ability to produce rigorous empirical research and enact evidence-based policies and interventions is severely hampered by inadequate data collection.** This appears to pervade the range of government and non-governmental organizations, with few exceptions. Of 26 programs identified, only 6 (23%) had gone through a formal evaluation process (an additional 2 conducted occasional exit interviews internally). This is a worrying figure considering the length of time many of these programs have been in operation.

children) and future criminality, drug and alcohol abuse. See also studies from Pulkkinen which show that offensive aggression at age 14 predicted criminality at age 20. See also study from Hamparian that found continuity between juvenile and adult criminal careers.

<sup>11</sup> Including the amendment of the Mutual Assistance in Criminal Matters Act Cap 140A and the Evidence Act Cap. 121.

<sup>12</sup> Among them a Policing Plan and a National Youth Policy

<sup>13</sup> Such as the Operation Safe Home, Barbados Youth Service or the Supreme Self-development and Awareness Program

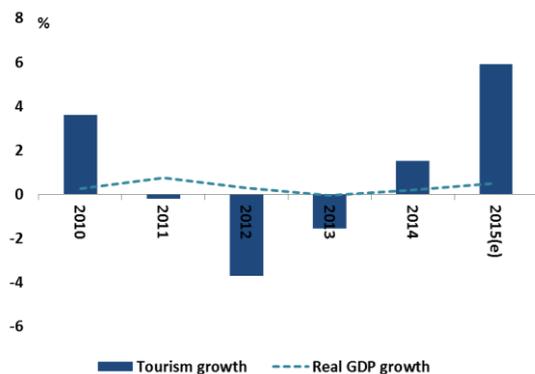


# BARBADOS

# SNAPSHOT

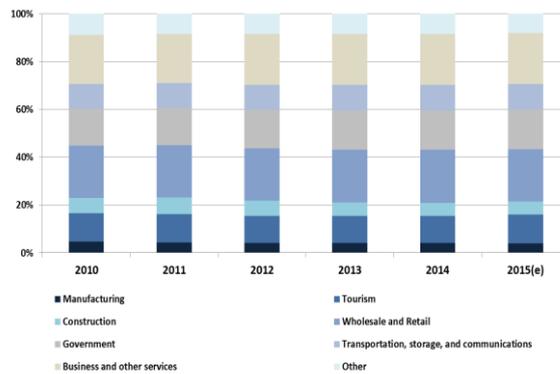
## Gradual tourism recovery with weak domestic demand

Figure A. Real growth and Tourism growth



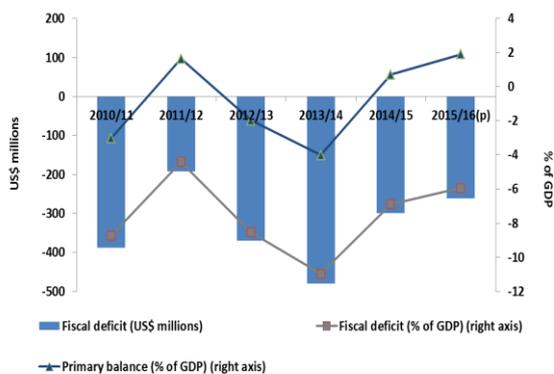
## ... which are the drivers of growth.

Figure B. Contribution to GDP (in % of GDP)



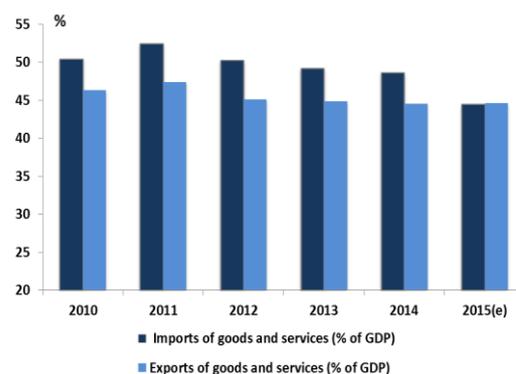
## Fiscal consolidation to reduce fiscal deficits

Figure C. Revenues and Expenditures (% of GDP)



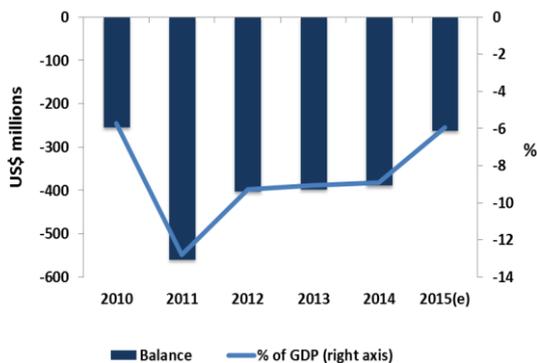
## ... and contained imports from lower oil and commodity prices..

Figure D. Exports and Imports (% of GDP)



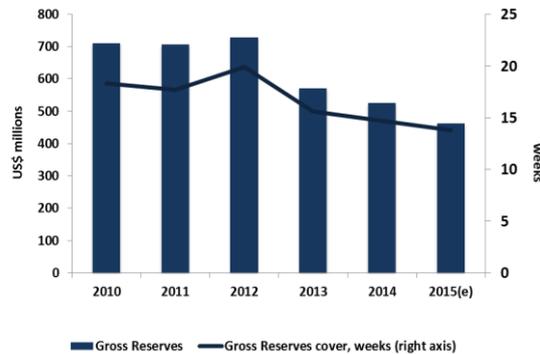
## ... have improved the current account balance

Figure E. Current account balance (% of GDP)



## ...and stabilized reserves.

Figure F. Gross reserves (US\$ millions)



Sources: Central Bank of Barbados, World Economic Outlook, IMF (October 2015); Ministry of Finance

Note: (p) projected figures for 2015.

(e) estimated figures



## Barbados: Selected Indicators

	2010	2011	2012	2013	2014	2015(e)
(Annual percentage changes, unless otherwise indicated)						
<b>Real sector</b>						
Real GDP	0.3	0.8	0.3	-0.1	0.2	0.5
Nominal GDP	-3.4	-2.0	-0.6	0.9	-0.4	1.3
Inflation (end of period)	5.8	9.4	4.5	1.8	1.9	-0.2
Unemployment	10.3	11.2	11.5	11.6	12.3	11.8
<b>External sector</b>						
Exports of goods and services (% change)	7.9	0.4	-5.3	0.2	-1.0	1.4
Imports of goods and services (% change)	9.5	1.9	-4.8	-1.2	-1.5	-7.3
Current account (percent of GDP)	-5.7	-12.8	-9.3	-9.1	-8.9	-5.9
Overall Balance (percent of GDP)	-0.6	-0.1	0.5	-3.6	-1.1	-1.1
International reserves (US\$millions)	711.9	707.4	728.9	572.1	526.1	463.4
International reserves cover (months)	3.8	3.7	4.0	3.2	3.0	2.8
(In percentage of GDP, unless otherwise indicated, on a fiscal year basis)						
<b>Public sector</b>						
Total revenue	25.6	29.3	28.4	26.7	28.8	25.8
Total expenditure	34.3	33.7	36.9	37.7	35.7	33.3
Central government primary balance	-3.0	1.6	-2.0	-4.0	0.7	0.3
Central government overall balance	-8.7	-4.4	-8.5	-11.0	-6.9	-7.4
<b>Debt indicators</b>						
General government debt	71.7	78.0	83.6	94.4	99.8	105.4
General government debt (inclusive of NIS holdings)	96.6	105.3	113.6	127.3	134.1	142.0
Central government debt over revenues	280.0	266.5	294.7	353.6	347.0	409.8
External debt service as percentage of exports of goods and services	10.2	6.9	7.3	6.9	7.4	8.0

Sources: Central Bank of Barbados; World Economic Outlook, IMF (October 2015); Ministry of Finance.

Note: (p) projected figures for 2015.



## Economic Developments

**Guyana has the promise to become the next investment hub of the Caribbean** over the medium term following a sizeable oil find of over 700 million barrels in 2015. The oil reserves have the potential to rival the Angola find in southern Africa. The oil discovery along with other immense natural endowments (gold, bauxite, manganese, timber, fisheries, arable land) and when coupled with a well-educated work force (over 90 percent adult literacy) bolster Guyana's growth potential over the medium term. However, institutional weaknesses, structural issues in its core traditional sectors and moderating commodity prices for principal exports have combined to dampen recent economic performances.

**In 2015, Guyana recorded 3 percent growth, short of a targeted 3.4 percent expansion by authorities.** The lower-than-expected performance was mostly attributed to several political and economic events during 2015. On the political front, the country experienced political and constitutional uncertainty given that the Parliament was prorogued late 2014, and early general elections were called in February 2015 and elections held on May 11<sup>th</sup>. These developments negatively impacted business and consumer confidence, forcing postponement of investment activities. On the other hand, an exogenous commodity price developments phenomenon had a mixed impact on the local economy. While depressed fuel prices brought on by the glut of oil on the world market provided a boon to local businesses and consumers, as well as eased current account pressure, weak commodity prices for the principal exports exposed structural issues in nearly all of Guyana's core traditional sectors, namely rice, gold, bauxite, sugar, and timber. However, authorities remain optimistic that policy measures to address flailing sectors, and the presentation of an early budget, will boost confidence. More importantly, authorities hope that deficit spending projected at 4.7 percent will boost growth and they have set a target of 4.4 percent to be realized in 2016.

**Guyana's sugar production surpassed its target, expanding by 6.9 percent to 231,145 tonnes in 2015.** While the outturn represented favorable harvesting conditions in the second half of 2015, severe challenges such as an unfunded payroll, high debt, supply disruptions due to industrial action, all amid declining world market prices, have seen GoG issue bailout packages to the sector to deter the closure of several estates in 2015. The authorities recognize that in the current global environment and with the loss of preferential access, the current state of the sugar industry is untenable for an industry that directly employs

### Highlights

*Budget 2016 surrounds five pillars: National Unity, National Security, Public Service, National Infrastructure and National Institutions.*

*The size of Budget 2016 is G\$230 billion (US\$1.12 Billion).*

*Economic growth of 3 percent in 2015. The projected growth rate was 3.4 percent.*

*Government will finalize a framework of the Sovereign Wealth Fund in 2016.*

approximately 16,000 workers. The government will inject G\$9 billion into the 2016 budget to aid the sugar sector.

**The rice sector continues to endure mixed fortunes.** Production in 2015 increased by 8.3 percent to a new record of 687,784 metric tons; however, depressed prices and the loss of the Venezuelan market (which accounted for 38 percent of exports), have resulted in a production glut. In the face of these challenges authorities have been active in courting new export markets for Guyana's rice with deals being negotiated with Panama, Belize, and possibilities of new trade deals with several West African nations. Despite these measures, high uncertainty remains and authorities anticipate a slump in production in 2016 of 8.4 percent to 630,028 metric tons. Farmers are facing not only price uncertainty due to being forced to sell at world market prices, but also drought conditions and water shortages. Since December, low rainfall and the intrusion of saltwater into irrigation systems are likely to reduce acreage planted and negatively affect the yields obtained in Spring Crop. The 2016 budget allocated GY\$23 billion to support further payments to over 7,000 rice farmers, due to the inability of the Petro Caribe Fund to meet those payments.

**Large gold mines start operations.** In 2015, gold production reached 451,490 ounces, an increase of 16.5 percent. Authorities attributed the improvement to the perseverance of small and medium miners and the gold production of two newly commissioned large scale mines—Guyana Goldfields and Troy Resources—that are able to achieve scale economies and operate at a lower cost of production than small artisanal miners. In 2015, Guyana Goldfield produced an estimated 30,000 ounces of gold. Between the two large mines, it is anticipated that 120,000-140,000 ounces will be produced in 2016, representing one third of the country's expected total output.

**Electoral cycle and high uncertainty thwarted public investment programme.** In 2015, the fiscal deficit improved to 0.2 percent of GDP from 5.7 percent of GDP

in 2014. The outturn was due to the general compression of expenditure in the first eight months of the year when the country was operating without an approved Budget due to suspension of Parliament and the low rate of disbursement and implementation of the public investment program once the Budget was approved in August.

**Infrastructure gap persists.** Despite significant infrastructure improvements, the country still faces an infrastructure deficit. Inadequate road networks, bridges, ports, telecommunications, and river transport system still act as constraints, limiting growth and reducing competitiveness.

**Total expenditure of the Central Government was severely curtailed, in 2015.** Non-interest current expenditure amounted to GY\$141.2 billion in 2015, compared to GY\$127.5 billion in 2014. Increases in expenditure were recorded in the following categories: personal emoluments, 5.6 percent; other goods and services, 7.7 percent; and transfer payments, 18.3 percent. However, there was a sharp reduction in capital expenditure, from GY\$51 billion, in 2014, to GY\$30.7 billion, in 2015. These developments resulted in the overall deficit of the central government improving to 1.4 percent of GDP, in 2015, compared to 5.5 percent of GDP in 2014.

Tax revenue amounted to GY\$142.9 billion, an increase of 5.2 percent, which was driven primarily by increased collections of personal income taxes (11.1 percent), company income taxes (4.7 percent) and property taxes (33.6 percent). Low compliance by self-employed individuals continued to be the main factor why this category lags behind other areas of income tax collection.

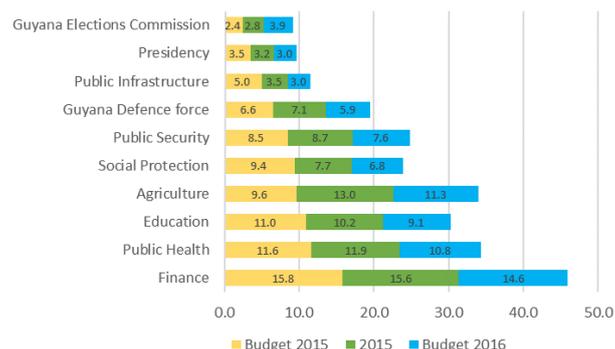
Excise tax collections improved to GY\$33.3 billion, an 18.1 percent increase. Similarly, international and trade transactions increased by GY\$170 million, to reach GY\$14 billion. Value Added Tax collections of GY\$35.4 billion represented a 5.2 percent decline. One reason for this was the increase in the number of zero-rated items introduced in last year's budget. Notwithstanding the increased revenue, in 2015 the Guyana Revenue Authority remitted an estimated GY\$47.1 billion. While this figure is substantially lower than the GY\$55.6 billion remitted in 2014, more strenuous efforts will be exerted in 2016 to monitor and limit the amount of concessions that are granted.

### Budget 2016

**Central Government's non-interest current expenditure** (employment costs, statutory expenditure and other charges) for the year is budgeted at GY\$164.3

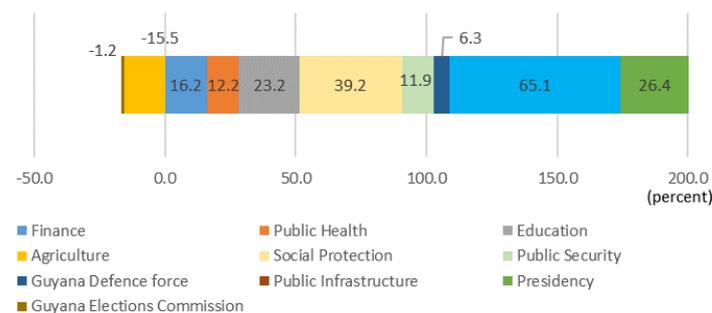
billion which is 16.36% more than the revised 2015 (see figures 1 and 2). Central Government's capital expenditure for the year is budgeted at GY\$52.2 billion which is 32.4% above the revised 2015 expenditure and 22.7% of total 2016 expenditure.

**Figure 1. Ministry allocations share of current noninterest expenditure**



Source: Ministry of Finance

**Figure 2. Budgetary allocations, percent change 2015 vs. budget 2016**



Source: Ministry of Finance

High-Frequency Macroeconomic Indicators				
	Last	Period	Prior	Period
Annual GDP growth (%)	3.0	2015	3.0	2014
Exports (12-month growth)	0.2	2015	-15.1	2014
Imports (12-month growth)	-17.7	2015	-5.1	2014
Private sector credit growth (%)	6.2	2015	9.1	2014
Inflation	-1.8	2015	1.2	2014
Exchange rate (eop)	206.5	2015	206.5	2014



## Introduction

Crime is a growing concern in Guyana. Guyanese have increasingly rated crime as one of the most pressing issues facing the country.<sup>1</sup> Forty-two percent of the population believes that violence in their neighborhood has stayed the same or increased in the last year.<sup>2</sup> The private sector has been particularly hard hit having to face high costs for security.<sup>3</sup> Finally, trust in the criminal justice system and efficiency of these institutions are cause for concern.

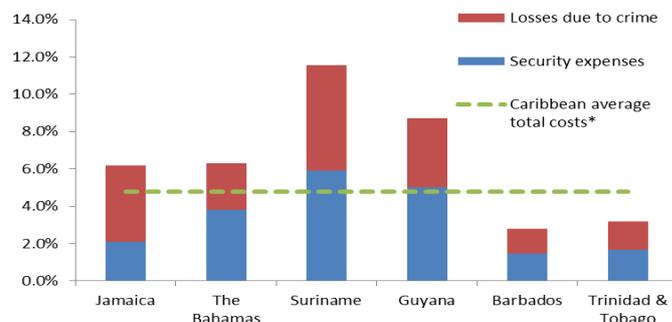
The direct cost of crime<sup>4</sup> to government and firms is high. It is estimated that 5.9% of the national budget – 2.2% of GDP - is spent on security.<sup>5</sup> Moreover, if Guyana had had the same homicide growth rate as the global average between 1995-2011, it is projected that GDP growth could have been higher by 0.4%. According to the The PROductivity, TEchnology and INnovation survey (PROTEqIN) survey 2013/2014, many firms (70%)<sup>6</sup> need to hire security services. This number is significantly lower however than the 85% of firms reporting to pay for security in the 2010 Enterprise survey.<sup>7</sup> Thirty three per cent of firms reported being a victim of theft, robbery, vandalism or arson. Finally, firms reported spending 5% of annual sales on security expenses and another 3.7% of annual sales were spent on losses due to theft, robbery and vandalism.<sup>8</sup>

## The Issues and Challenges<sup>9</sup>

Police data show that Guyana's reported homicide rates are relatively high and have continued to climb in recent years. Homicide rates are above the global average, although comparable to the rest of Latin

America and the Caribbean.<sup>10</sup> Rates have nearly doubled since 2000 (from 9.9/100,000 in 2000 to 19.5/100,000 in 2013).<sup>11</sup>

Figure 1 - Crime Related Costs as a Percentage of Annual Sales



Source: PROTEqIN 2013/2014.

One of the contributing causes of crime and violence in Guyana may be the social tolerance for violence. In Guyana one in three (30%) of adults approve or understand a man beating his wife if she neglects the household chores. Thirty-five percent would approve or understand beating her if she is unfaithful. Moreover, 66 percent of respondents reported believing it necessary to physically punish children, with 9% believing that physical punishment should be used very frequently or always.

Public mistrust and inefficiency of the police and justice system are high. Confidence in the police and the courts to punish the guilty decreased sharply from 2012 to 2014.<sup>12</sup> A small judiciary makes it difficult for Guyanese courts to adjudicate matters in a timely fashion. Guyana has approximately 3.5 judges and magistrates per 100,000 persons - a ratio far lower than that of other judiciaries in the region - and a continual backlog with more cases being filed than decided.<sup>13</sup> The Guyana Police Force (GPF) is amongst the least trusted institutions in Guyana.<sup>14</sup> Trust in the police has decreased continuously since 2006 (Figure 5), among all ethnic groups, with the largest drop being among Afro-Guyanese.<sup>15</sup> Comparatively, the GPF has the lowest trust score of any police force in the Americas where the LAPOP survey was conducted.

<sup>1</sup> The LAPOP survey data shows in 2014, 27 % of individuals responded that security was their main concern. Between 2012 and 2014 the increase in citizens indicating security as the most important problem was greater in Guyana than in 26 of 28 other countries surveyed in the LAC region.

<sup>2</sup> Analysis of LAPOP Guyana dataset 2014.

<sup>3</sup> UNODC and World Bank (2007) *Crime, Violence, and Development: Trends, Costs and Policy Options in the Caribbean. Report 37820*

<sup>4</sup> The expression refers to the monetary value of the investment made by companies to avoid being victimized; it refers also to material loss and forgone income, and government spending on police, jails, prevention and the judiciary system.

<sup>5</sup> Guyana's expenditure on security as a percentage of the national budget was broken down as follows: 4.78% law enforcement, 0.26% on prevention, 0.69% on Justice and 0.88% on corrections (UNDP Caribbean Human Development Report 2012).

<sup>6</sup> For more on the PROTEqIN 2013/2014 survey See: [http://competecaribbean.org/wp-content/uploads/2015/05/Technical\\_note\\_PROTEqIN\\_and\\_LACES-final.pdf](http://competecaribbean.org/wp-content/uploads/2015/05/Technical_note_PROTEqIN_and_LACES-final.pdf)

<sup>7</sup> WB/IFC Enterprise Survey data 2010.

<sup>8</sup> Note that only 67% of firms hiring security services responded to this question. PROTEqIN 2013/2014.

<sup>9</sup> Note the discussion on crime in Guyana in this section is severely limited and not comparable to other sections given that the Government of Guyana denied permission for the Caribbean Crime Victimization Survey (CCVS) module to be conducted in 2014 and again in 2016.

<sup>10</sup> Guyana's 2013 homicide rate is more than 3 times the world average (6.2/100,000)

<sup>11</sup> UNODC crime data 2014

<sup>12</sup> LAPOP 2014 and 2012 Guyana datasets.

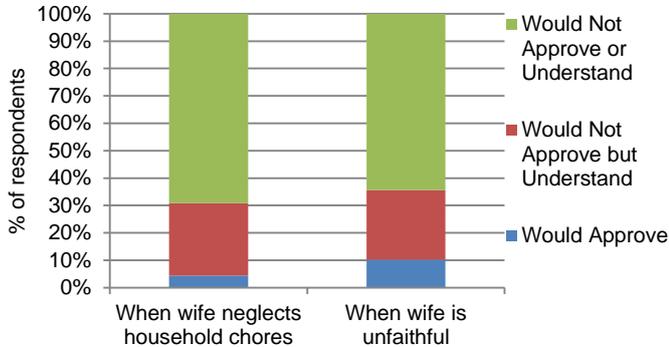
<sup>13</sup> Trinidad and Tobago, for instance, has 6.3 judges per 100,000; the Dominican Republic has 7.0; and Saint Kitts and Nevis has 15.0. IDB 2006. Project Concept Document: Modernization of the Justice Administration System (GY-L1009).

<sup>14</sup> In the LAPOP 2014 survey trust in institutions was measured on a scale of 0-100. The average score for the following institutions were: Evangelical Church 60.2, Defense Forces 58.0, Catholic Church 45.1, Parliament 46.3, Executive 45.5, Justice System 40.4, Political Parties 38.6, and Police 35.4.

<sup>15</sup> Between 2012 and 2014, on a scale from 0-100, the average score for trust in the police decreased 17.2 points for Afro-Guyanese, 9.81 points for Indo-Guyanese and 7.05 for other groups.

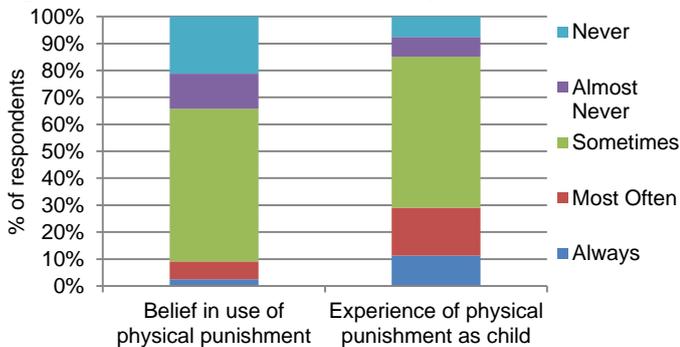


Figure 3: Tolerance of wife beating in Guyana



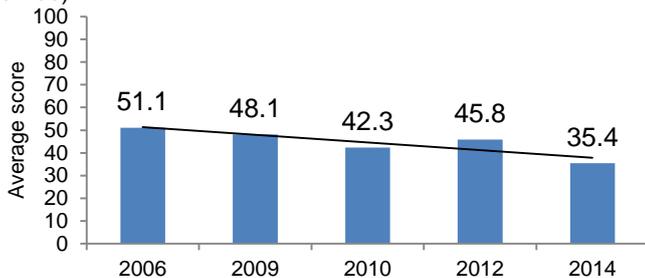
Source: LAPOP Guyana dataset 2014

Figure 4: Child physical discipline in Guyana



Source: LAPOP Guyana dataset 2014

Figure 5: Trust in the police force in Guyana 2006-2014 (scale 0-100)



Source: LAPOP Guyana datasets 2006-2014.

### Conclusion and Policy Implications

Even though some progress has been made, the majority of public spending in Guyana is allocated to crime suppression and not crime prevention. For every one dollar spent on security, only four cents are spent on prevention.<sup>16</sup> More work is required to identify the effects of public policies and crime prevention programs. More systematic evaluation would take the

<sup>16</sup> According to the UNDP Human Development Report 2012, of the 5.9% of the national budget spent on security expenditures, 0.26% was on prevention (p.145). See WHO (2009).

guesswork out of determining whether programs are successful and could suggest possible modifications.<sup>17</sup>

**The lack of reliable, comprehensive and continuously collected data still severely hinders efforts to understand the dimensions of crime and violence in Guyana and design relevant policies.** Police records only show a partial picture of crime and violence. Existing crime data is not available disaggregated by gender, age, ethnicity, socio-economic strata, neighborhood, and other factors necessary for analyzing correlation and causation. The government of Guyana denied permission for the CCVS crime module on the LAPOP survey to be conducted, so no regional or internationally comparable crime data is available for the country. Furthermore, evidence suggests that it is more efficient for data on domestic and sexual violence to be collected separately from victimization surveys.<sup>18</sup> No such surveys have been conducted in Guyana.

**While steps have been taken to modernize the Guyana Police Force, improving police crime prevention and investigation continues to be critical areas of focus.** The Integrated Crime Information System has been implemented, however, it is not available at the 72 police district offices and few staff are qualified to analyze the data.<sup>19</sup> Larger institutional reforms (including organizational structure changes, regulations regarding recruitment, promotion and retirement, etc.) have not been achieved and crime prevention and investigation continue to face many challenges.

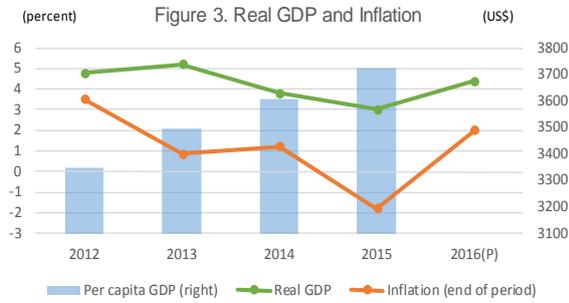
<sup>17</sup> Guyana's Citizen Security Program (CSP), supported by the IDB and implemented since 2006, includes a mix of preventative initiatives. The activities realized under the Community Action Component (CAC) are evidence that some progress has been made in implementing prevention oriented interventions

<sup>18</sup> World Health Organization. 2001. "Putting women first: Ethical and safety recommendations for research on domestic violence against women." See

[http://www.who.int/gender/documents/violence/who\\_fch\\_gwh\\_01.1/en/](http://www.who.int/gender/documents/violence/who_fch_gwh_01.1/en/)

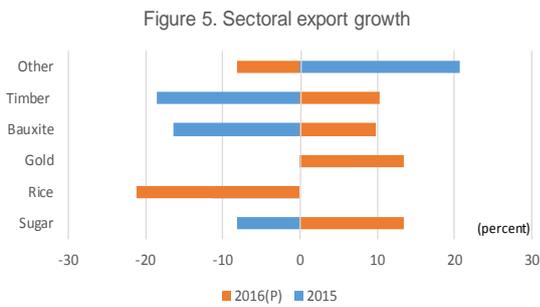
<sup>19</sup> IDB (2014) Proposal for Operation Development: Guyana Citizen Security Strengthening Programme (GY-L1042).

**Optimistic outlook, however, depressed price levels mask underlying structural issues.**



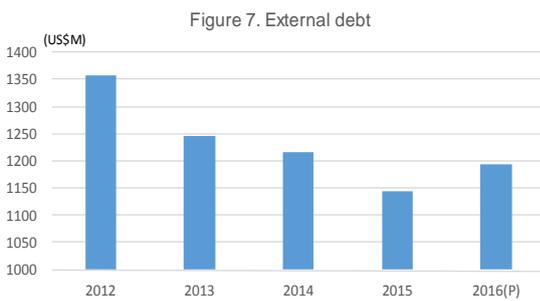
Source: Ministry of Finance

**...that was reflected in weak export revenue growth which placed industries in dire cashflow straits...**



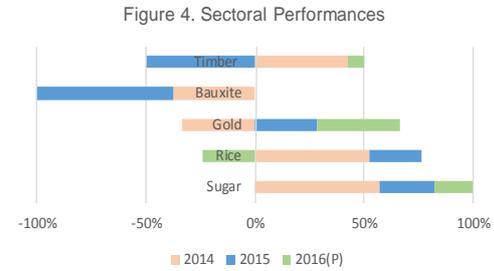
Source: Ministry of Finance

**...and a marked decline in external debt, particularly associated with lower Petrocaribe commitments.**



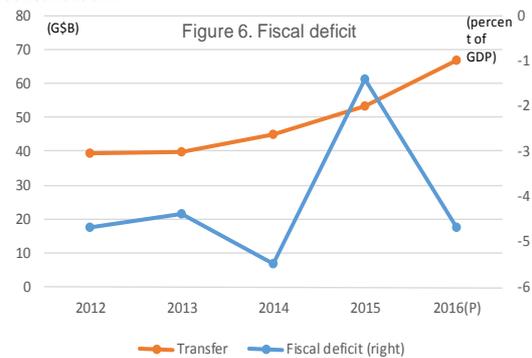
Source: Ministry of Finance

**Supply disruptions coupled with weak commodity prices contributed significantly to the anemic performances in key sectors...**



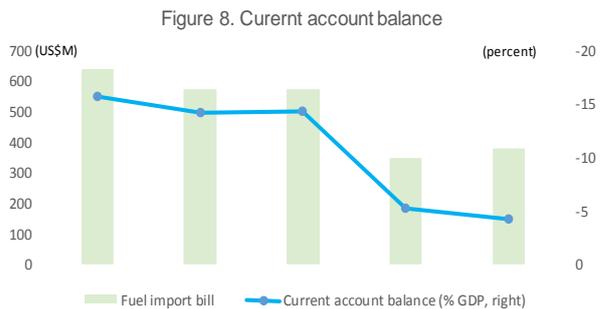
Source: Ministry of Finance

**...resulting in bailouts (transfers). However, strong revenue growth and slowdown in government public capital projects enabled fiscal consolidation...**



Source: Ministry of Finance

**Meanwhile, low fuel prices were able to mitigate poor export performances and contribute significantly to lowering Guyana's current account deficit.**



Source: Ministry of Finance



## Guyana: Selected Indicators

	2012	2013	2014	2015	2016(P)
(Annual percentage changes, unless otherwise indicated)					
<b>Real sector</b>					
Real GDP	4.8	5.2	3.8	3.0	4.4
Nominal GDP (GYD millions)	511337	537428.0	555837.0	N/A	N/A
Inflation (end of period)	3.5	0.9	1.2	-1.8	2.0
<b>External sector</b>					
Exports of goods and services	20.1	-10.7	-12.4	0.2	2.5
Imports of goods and services	14.4	-7.0	-6.7	-17.7	2.7
Current account (percentage of GDP)	-15.7	-14.2	-14.4	-5.2	-4.2
Remittances (percentage of GDP)	16.7	11.7	17.0	15.0	15.7
FDI (percentage of GDP)	10.8	7.3	9.8	4.6	9.2
(In percentage of GDP, unless otherwise indicated, on a fiscal year basis)					
<b>Central government</b>					
Revenue and grants	27.9	22.1	26.7	28.3	30.1
Current expenditure	21.1	19.8	21.8	23.8	29.7
Capital expenditure and net lending	11.1	8.2	13.13	5.3	9.1
Overall balance	-4.7	-4.4	-5.5	-1.4	-4.7
<b>Debt indicators</b>					
Central government debt	72.1	57.4	N/A	N/A	N/A
Central government debt over revenues	N/A	N/A	N/A	N/A	N/A
External public debt (end of period)	54.2	41.5	45.3	39.5	N/A
External debt service as percentage of exports of goods and services	N/A	N/A	N/A	N/A	N/A

Source: Central Bank of Guyana, and Ministry of Finance.

Notes: (P) denotes projected figures. FDI= foreign direct investment.



## Overview

The opposition Jamaica Labour Party won the February 2016 election with a one seat margin. The new Prime Minister Andrew Holness committed to fiscal consolidation but also suggested policies that could lead to deviations from the IMF program targets in the absence of compensating measures.

## Recent Developments

**Elections were held on February 25th.** Jamaica held a smooth election, with the incumbent People's National Party (PNP) losing against the Jamaica Labour Party (JLP) with a one seat difference.

**Jamaica's economy remains stable with a positive outlook.** The change of government introduced some uncertainty but expectations are of a continuation of the successful strategy of fiscal prudence while trying to accelerate economic growth. The 2016/17 budget, which could be tabled after March 31, 2016 to give the new administration time, will bring more clarity to the government's program.

**The grace period of the National Debt Exchange ended.** The 2013 National Debt Exchange included a 3-year grace period in which virtually no domestic security had to be repaid. Given that the 2010 Jamaica Debt Exchange also included a three-year grace period, this is the first time in six years that a large amount of domestic securities have been repaid as securities equivalent to around 4 percent of GDP matured on February 11, 2016.

**The authorities have accessed the domestic debt market.** The government issued several instruments with a total value of JM\$15 billion (around US\$120 million or 0.8 percent of GDP). The yields on the securities were at or below the ones for comparable instruments, reflecting investor demand following three years absence from the domestic debt market. The issuance can be seen as highly successful given the worries that had prevailed since the 2013 NDX about a potential shift in interest rates once trading of domestic government bonds restarts.

**Jamaica is among several Caribbean countries to experience challenges with maintaining correspondent banking relations.** The severing of international banking relations in order to minimize the risk of being involved in money laundering (so-called de-risking) has become a worldwide challenge for countries that depend on international transactions for trade and remittances. The issue has been noted in Jamaica for

## Highlights

*Elections were held on February 25, 2016 with the Jamaica Labour Party coming out as the winner.*

*The International Monetary Fund (IMF) will combine the eleventh and twelfth review of the Extended Fund Facility, both to be completed in June 2016.*

*Jamaica made its first domestic debt repayment since the National Debt Exchange in 2013.*

some time<sup>1</sup> and a recent survey indicates that the Caribbean region in general is the most severely affected by the challenge of keeping correspondent banking relations.

**Jamaica's ranking in the Doing Business indicators improved in the 2016 report.** Jamaica moved up seven places in the Doing Business 2016 report, ranking 64th from 71st (taking into account new methodology). Major reforms over the period included the enactment and operationalization of the insolvency framework and changes in tax policy and administration.

**The fiscal targets under the Extended Fund Facility (EFF) have been relaxed.** Following the reduction of debt to GDP from the Petrocaribe debt buyback, projections indicate that debt to GDP would be well below the 100 percent target by March 2020. As a result, the authorities and the International Monetary Fund (IMF) reached an agreement to reduce the primary surplus target from 7.5 percent of GDP to 7.25 percent for the current FY2015/16 and 7 percent thereafter. The IMF Executive Board will combine the 11th and 12th review of the Extended Fund Facility, both to be completed in June 2016.

**Growth is projected to recover.** Growth is currently projected at 0.8 percent in 2015 and 1.4 percent for the 2015/16 fiscal year, below the initial projection of 1.9 percent but a marked improvement over the 0.2 percent of growth recorded in fiscal year 2014/15. Projections for FY2016/17 currently stand at 2.5 percent, driven by strong performance in tourism, business process outsourcing and agriculture as well as increased private investment.

**Economic growth has improved in a number of sectors.** The Statistical Institute of Jamaica indicates that in the September to December 2015 quarter, the

<sup>1</sup> For Jamaica, see Schmid, Juan Pedro. 2014. How much anti-money laundering effort is enough? The Jamaican experience. IDB Policy Brief 242. For the survey, see World Bank. 2015. Withdraw from correspondent banking: where, why, and what to do about it.



Jamaican economy grew 0.6 percent in real terms. Within the Goods Producing Industry, manufacturing increased 3.7 percent and construction 0.7 percent. However, all other industries recorded decline – agriculture by 3.3 percent and Mining & Quarrying 2.3 percent. Services performed stronger with all subsectors growing with the exception of Government Services that decreased by 0.2 percent. Electricity & Water Supply recorded the highest level of GDP growth with 5.0 percent.

**Business and Consumer Confidence have reached 15 year highs for the last quarter of 2015.** The Jamaica Chamber of Commerce Business and Consumer Confidence Surveys indicate that the levels of confidence for both groups have improved. The improvements are due largely to a combination of seasonal factors, excitement about upcoming elections and a sharp fall in the cost of oil on the international oil market. Only a minority of respondents (24 percent) felt that job prospects were going to improve, which although low, still stand at their highest in over 15 years.

**Inflation remained subdued as a result of the lower oil prices.** 2015 year-over-year inflation was 3.7 percent. This represents a sharp decline compared to the 6.4 percent experienced in 2014. As the year-over-year decline in oil prices fades, inflation is expected to increase to around 6 percent.

**Net international reserves remain at prudent levels.** Total reserves at the end of January 2016 were US\$2.2 billion dollars, a decrease from recent highs of 2.5 billion in August 2015. However, reserves remain above prudent levels and the EFF targets. A portion of the reserves comprises US-dollar instruments issued by the Bank of Jamaica (BOJ) for reserve accumulation. The BOJ intends to become less dependent on these borrowed reserves as investor confidence improves.

**Treasury bill and repo rates continue to decline and credit growth is improving.** The 180 day T-bill rate has fallen to 5.7 percent as at February 2016 compared to 6.25 percent in October 2016. In addition, the repo rate has declined to 5.25 percent in October 2015 from 5.50 percent in July 2015. Credit is improving with nominal credit growth at 9.6 percent in 2015.

**The authorities are likely to continue to hedge against oil price increases.** In 2015, Jamaica bought contracts to buy oil at predetermined prices covering the period January to December 2016. The contracts were set at around US\$66 per barrel during the contract period. The hedge was financed through a special tax on gasoline. The government has further expressed its intention to

purchase new contracts to insure against a spike in oil prices in future periods.

**Employment growth remains elusive.** The unemployment rate at end-October 2015 was 13.5 percent, an increase compared to the 13.1 percent unemployment rate recorded in July 2015. However, the level is still a decline compared to the 14.2 percent recorded one year before. There was a small increase in the size of the labor force by 0.35 percent between July and October 2015, after a 1.5 percent increase between April and July 2015.

**Jamaica is bracing itself for the Zika virus.** Given the outbreak in neighboring countries and the wide spread in Jamaica of the main carrier of the virus, the *Aedes aegypti* mosquito, the authorities have been taking measures to suppress a potential Zika outbreak. The United States Center for Disease Control (CDC) included Jamaica in the list of countries that pregnant women and women who intend to become pregnant should avoid.

### Conclusion

**The February general election went ahead smoothly.** The newly formed government has expressed its commitment to continue the program after the successful completion of ten reviews. However, proposed changes regarding taxation for lower income earners will need to be aligned to the fiscal consolidation program.

**After ten successful EFF reviews, challenges in employment generation and economic growth remain significant.** The slight easing of the required primary surplus will help to open up a small amount of space for capital expenditure, however more concerted efforts are needed to show concrete returns for the population.

High Frequency Macroeconomic Indicators				
	Last data	Period	Prior data	Period
Real GDP Growth (y/y)	0.6	2015 Q4	1.5	2015 Q3
Inflation (y/y)	3.7	Dec-15	2.0	Oct-15
Net international Reserves (US Mil)	2200.1	Jan-16	2437.0	Dec-15
Exchange Rate (end of period)	121.3	Feb-16	120.4	Dec-15
Unemployment Rate (%)	13.5	Oct-15	13.1	Jul-15

Sources: Bank of Jamaica and Statistical Institute of Jamaica



## Introduction

Jamaica's post-independence environment has been characterized by high rates of violent crime and relatively low rates of property crimes. In 2014, nearly 50 percent of individuals from Jamaica identified security and crime as the most important problems facing the country, over and above poverty, the economy, inequality and any other issue.<sup>2</sup> Crime continues to represent a very significant social, economic and public health problem for this small country.

**The direct fiscal cost of crime<sup>3</sup> to taxpayers and the private sector is high.** In Jamaica, government expenditure on security is among the highest in the Caribbean – 6.17 percent of the national budget and 2.9 percent of GDP.<sup>4</sup> The impact of crime on GDP growth is also projected to be among the highest in the region. According to estimates in a forthcoming IDB report, Jamaica's GDP growth could have been higher by nearly 1.6 percent had it had the same homicide growth rate as the global average between 1995-2011.<sup>5</sup> According to the PROTEqIN survey in 2014, the percentage of businesses that had been victims of a crime during the fiscal year was 18 percent (versus 23 percent in the Caribbean). The financial losses due to crime experienced by these firms (4.1 percent of annual sales) are among the highest reported in the region.<sup>6</sup> Additionally, the vast majority (72 percent) of businesses reported spending on private security<sup>7</sup>, which represented 2.1 percent of total annual sales for firms.<sup>8</sup>

<sup>2</sup> In the 2014 Latin American Public Opinion Poll (LAPOP) 49.8 percent of respondents said that security related issues were their main concern. This was the fourth highest percentage of all 28 LAC countries surveyed.

<sup>3</sup> The expression 'direct costs' refers to the monetary value of government spending on police, jails, prevention and the judiciary system and the investment made by companies to avoid being victimized, material loss and forgone income.

<sup>4</sup> According to the UNDP Caribbean Human Development Report 2012 Jamaica's expenditure on security as a percentage of the national budget was the second highest of the 7 other countries included in the survey and broken down as follows: 5.24 percent law enforcement, 0.22 percent on prevention and 0.85 percent on Justice and 0.71 percent on corrections.

<sup>5</sup> Based on cross-country panel data on homicide rates (UNODC) and GDP growth from 1960-2014. The results show that world-wide, an increase of 1 in a country's homicide rate per 100,000 is associated with a 0.8 percentage point reduction in economic growth.

<sup>6</sup> Note that only 79 percent of firms experiencing losses due to crime responded to this question.

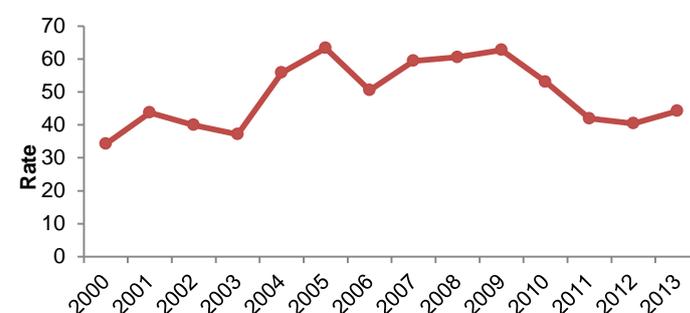
<sup>7</sup> Note that 62 percent of firms paying for security expenses responded to this question.

<sup>8</sup> The PROductivity, TEchnology and INnovation survey (PROTEqIN) was launched in 2013/2014 by the IDB and Compete Caribbean. This survey covered 13 Caribbean countries, with a sample of 1,966 firms drawn from the same sample of the Caribbean Enterprise and Indicator

## The Issues and Challenges

**Despite having decreased in the last 6 years, police-reported homicide rates remain high.** In the wake of the 2010 invasion of Tivoli Gardens by police forces and the extradition of Christopher 'Dudus' Coke, the official homicide rate has been significantly reduced.<sup>9</sup> In 2014, the country registered the lowest homicide rate since 2003 (36.4 per 100,000 inhabitants).<sup>10</sup> However, by global comparison this rate is still extremely high.<sup>11</sup> Furthermore, preliminary figures for 2015 show an increase of 20 percent with respect to 2014.<sup>12</sup>

**Figure 1: Murder Rate per 100,000 Population, 2000–2013**



Source: Economic and Social Survey of Jamaica for the respective years

**Data from a recent IDB victimization survey show that 15 percent of surveyed population in Kingston Metropolitan Area was a victim of common crime in 2013.**<sup>13</sup> Jamaica is among the countries with highest levels of victimization together with Trinidad and Tobago and The Bahamas. Specifically 1.2 percent of the population was a victim of vehicle theft, 4 percent burglary, 2.9 percent robbery, 5.6 percent theft and 8.3 percent assault / threat of assault.

**Jamaica has the highest rates of indirect victimization in the region, with as many as 40 percent**

Survey 2011 (CES 2011) that was conducted as part of the Latin American and Caribbean Enterprise Surveys (LACES).

<sup>9</sup> Jamaican Constabulary Force homicide statistics exclude police killings.

<sup>10</sup> See: <http://www.insightcrime.org/news-analysis/insight-crime-2014-homicide-round-up>.

<sup>11</sup> Compared to world average 6.2 out of 100,000, Central America approx. 25, South America approx. 21, the Caribbean approx. 20 and Jamaica approx. 43. United Nations Office on Drugs and Crime (UNODC) (2013) "Global Study on Homicide".

<sup>12</sup> See: <http://www.insightcrime.org/news-briefs/jamaica-homicide-spike-fuelled-by-lottery-scam>

<sup>13</sup> In 2014 the IDB designed a victimization module to produce comparable victimization data for 6 common crimes across the Caribbean. The module was included in the 2014 LAPOP survey five Caribbean countries. Results will be presented in a forthcoming report in 2016.



of respondents having witnessed a serious attack that ended up in severe injury or death (compared to the Caribbean average of 26 percent). Half of the population reported having lost a close friend or relative because of violence, which is well above the overall Caribbean average of 25 percent.

**A vast body of studies shows that childhood experience of violence in the home is a significant risk factor for future perpetration of violence.** The 2008 Jamaica Reproductive Health Survey (RHS) found high levels of family violence such as children experiencing violence or witnessing the abuse of a family member. Prior to age 15, nearly 1 in 5 (18 percent) Jamaican women witnessed physical abuse between their parents. Slightly more than 30 percent of LAPOP survey respondents approved or understood a wife being beaten in the case of infidelity. Acceptance and use of physical discipline on children in Jamaica is also high (see Figure 2).

**Trust in the police, the legal system and the courts is extremely low.** A 'paramilitary watchman model' of policing (Harriot 2002) and violent confrontations between state forces and criminals have ended in the loss of civilian and police lives. Figure 3 clearly reflects the majority of respondents have little to no trust in the police, the legal system or courts to provide a fair trial. In fact, trust is lower in Jamaica than in any other country in the region.

### Conclusions and Policy Implications

**Investing resources wisely in evidence-based programs that work can have a significant positive impact on the economy and quality of life for Jamaicans.** While there are already a variety of programs in place to prevent and reduce crime and violence, there is little empirical evidence of the impact of such interventions. There has been little rigorous evaluation of either prevention or crime suppression initiatives. Strengthening the capacity for data collection, monitoring and evaluation in this area can help determine what works in the Jamaican context. This can, in turn, help determine where scarce resources should be directed for the most impact.

**High levels of violence have led to a traumatized population and trust in the system has been severely damaged.** The fact that nearly half of the population has lost someone close to them to violence cannot be understated. In order to begin rebuilding trust in the criminal justice system, monitoring the use of lethal force by the police is an immediate priority. Improving the timeliness and quality of court procedures and protecting

witnesses and victims, although difficult, will also be fundamental.

**Finally, efforts to prevent violent and delinquent behaviour from developing can be more cost-effective than trying to intervene later on.<sup>14</sup>**

Prevention programs include a range of initiatives to change gender norms, parenting, life skills, and employment programs. However, not every social program will have direct impact on crime and violence. Many of the existing programs in Jamaica are promising, but it is important that they be targeted for specific high-risk individuals and communities and that they are adequately monitored and evaluated.

Figure 2: Child physical discipline in Jamaica

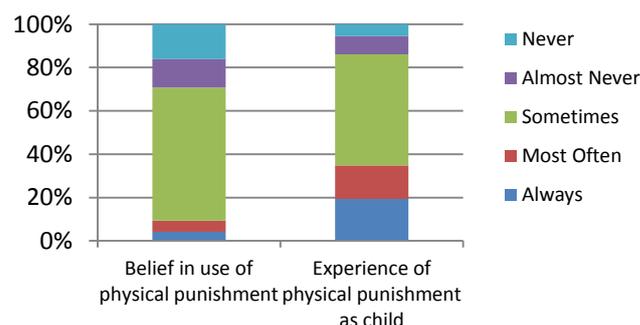
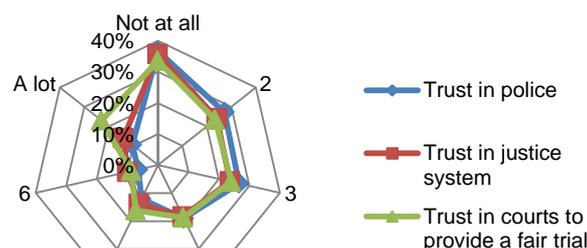


Figure 3: How much do you trust the police, justice system and courts to provide a fair trial? (1=Not at all, 7=A lot)



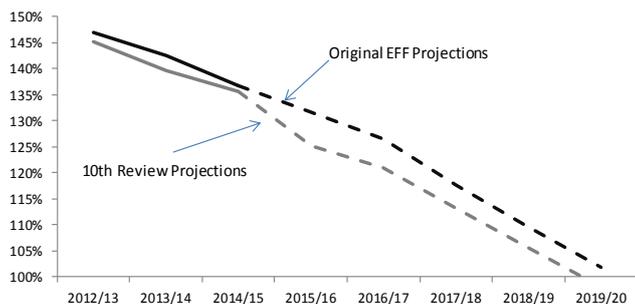
Sources: Figures 2 and 3: LAPOP Jamaica dataset 2014

<sup>14</sup> WHO (2009). Violence prevention: The evidence. [http://www.who.int/violence\\_injury\\_prevention/violence/4th\\_milestones\\_meeting/publications/en/](http://www.who.int/violence_injury_prevention/violence/4th_milestones_meeting/publications/en/)



**Petrocaribe deal supports reaching the debt target ...**

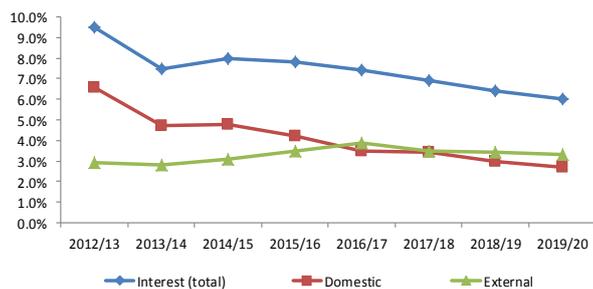
Figure A. Debt-to GDP 2011/12 - 2019/20



Source: International Monetary Fund

**Interest Payments are on a downward path**

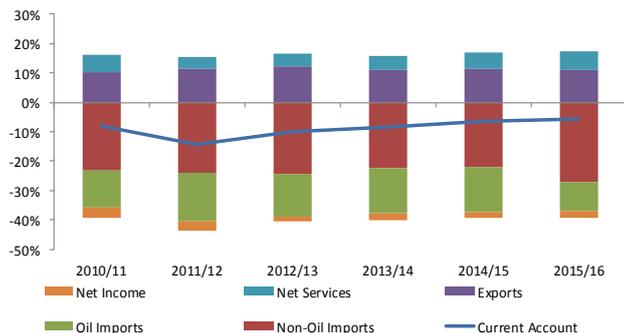
Figure C. Interest payments on Government Debt (% of GDP)



Source: International Monetary Fund.

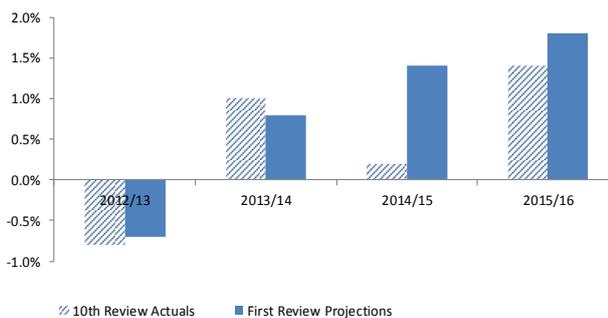
**The Current Account has benefitted from low oil prices**

Figure E. Contributors to current account deficit (% of GDP)



**Despite Dissappointing growth figures**

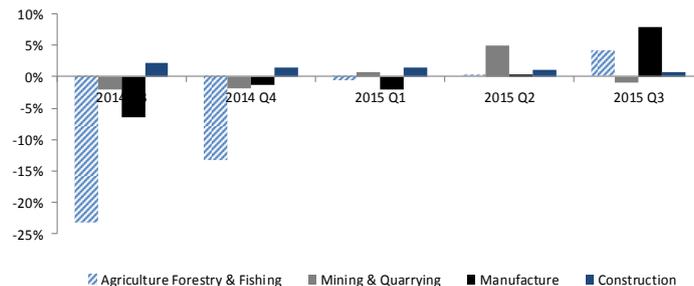
Figure B. Annual GDP growth rate



Source: Statistical Institute of Jamaica

**While the non-service sectors are improving**

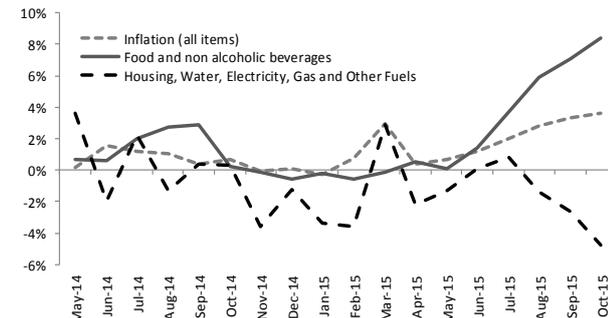
Figure D. % change in Gross value added by Industry



Source: Statistical institute of Jamaica

**...Which has helped to keep inflation under control**

Figure F. Inflation and its Main Components



Source: Bank of Jamaica



Jamaica: Selected Indicators						
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 (P)
(Annual percentage changes, unless otherwise indicated)						
<b>Real Sector</b>						
Real GDP	-0.6	0.9	-0.7	0.9	0.2	1.4
Nominal GDP	7.8	7.5	6.1	8.9	6.9	5.8
Inflation (end of period)	7.8	7.3	9.1	8.3	4.0	6.1
Exchange rate (end of period)	85.7	87.3	98.9	109.6	115.0	-
<b>External Sector</b>						
Exports of goods and services (yoy, %)	0.8	13.0	3.5	3.5	-5.0	-
Tourism receipts (yoy, %)	2.0	1.1	1.4	1.8	10.0	6.8
Imports of goods and services (yoy, %)	6.8	13.5	0.4	0.4	-7.3	-7.3
Current account (percentage of GDP)	-9.0	-14.9	-11.5	-8.4	-6.6	-3.6
Treasury bill rate (percent, end of peri	6.5	6.2	5.8	8.0	7.0	6.0
In percentage of GDP, unless otherwise indicated, on a calendar year basis						
<b>Central Government</b>						
Revenue and grants	26.8	25.6	25.8	27.2	26.3	27.6
Budgetary expenditure	33.2	32.0	29.9	27.1	26.8	28.1
Primary balance	4.5	3.2	5.4	7.7	7.5	7.3
Budget balance	-6.3	-6.4	-4.1	0.1	-0.5	-0.5
Public sector balance	-6.9	-6.4	-4.2	0.1	0.4	-0.5
<b>Debt Indicators</b>						
Public sector debt	141.3	143.7	146.4	141.6	124.8	125.1
Public sector debt over revenues, %	527%	562%	567%	521%	475%	453%
Foreign currency public debt (end of period)	83.3	81.4	92.0	87.53	86.4	78.6
<b>International Reserves</b>						
Net international reserves (USD Mill)	2553	1777	884	1303	2294	2607
Gross international reserves (weeks of good and services imports)	23.4	17.8	<12	14.4	19.4	23.3

Source: International Monetary Fund and country authorities



## SURINAME

## MULTILATERALS TO SUPPORT ECONOMIC PROGRAM

### Overview

Sustained low commodity prices substantially reduced international reserves and fiscal revenues in Suriname. The government has engaged in discussions with the IMF for technical assistance and BOP support in order to smooth the impact of the fall in commodity prices until new productive capacity materializes. The IDB and other multilaterals have also been called to support Suriname's economic program. Protecting social spending would be an important element for the program to safeguard the most vulnerable in society.

### Recent Macroeconomic Developments

**Multilateral lenders to explore support to economic program for Suriname.** The Surinamese authorities approached the International Monetary Fund (IMF) to discuss the possibility of IMF financial support for their economic reform program in response to the sharp fall in international commodity prices. The IMF has noted that several important policies have already been implemented in the context of the program with a view to strengthening the level of international reserves and achieving sustainable growth and financial stability. The program would strengthen the resilience of the fiscal (including revenue diversification), monetary and exchange rate policy frameworks and target structural reforms to improve the private sector environment and competitiveness, as well as the effectiveness of the social security system. The IDB, which has been working for several years to support reforms in Suriname, is expected to participate in the financing and reform proposed in this program, together with the World Bank and the Caribbean Development Bank (CDB).

**Inflation spiked at end 2015 following an increase in electricity tariffs and the devaluation of the exchange rate (Figure 1).** Figures by the Bureau for Statistics show that the year inflation for 2015 was 25 percent. Meanwhile, the average inflation rate for 2015 was 6.9 percent compared to 3.4 percent in 2014. The cost of borrowing dollars from commercial banks increased by 0.1 percentage points to 9.7 percent. The consumer price index seems to have reflected the developments in global food and fuel prices, and raised electricity tariffs. Uncertainty in the exchange rate market may have also influenced prices. Since the announcement of a possible IMF intervention, the spread between the parallel and official exchange rate has dropped significantly.<sup>1</sup>

<sup>1</sup> The parallel exchange rate for the dollar is reported to have dropped to SRD\$5.15, from a peak of SRD\$6.00.

### Highlights

*The Government of Suriname has approached the international financial institutions to discuss possible financial support.*

*Inflation increased at the end of 2015 given policy actions while higher fiscal deficits increased debt levels.*

*Unemployment rates have increased with the weakened macroeconomic position, however, crime rates in Suriname are still low and among the lowest in the Caribbean.*

**Suriname's total debt stock is limited by the National Debt Act to 60 percent of GDP.** During the early 2000s, Suriname reformed its debt management practices. The National Debt Act<sup>2</sup> limits the total stock of debt and uses definitions that are broader than international ones.<sup>3</sup> As at December 2015 and based on the national definition contained in the Act, total debt was equal to 50.9 percent of GDP (compared with 41.0 percent of GDP based on the international definition). Central government debt increased by 17.2 percent of GDP in 2015 over the previous year (Figure 2). The available debt space for external and domestic debt remains 6.5 percent and 2.6 percent of GDP, respectively. Sustained low international oil and gold prices would unfavorably change the debt outlook for Suriname.

**Economic benefits are anticipated in the gold sector later this year.** Suriname stands to earn US\$37 million a year from the Merian gold mining operations by Surgold, a subsidiary of American multinational Newmont. The mine will be operational by October or November this year. Suriname has a 25 percent stake in the operations through Staatsolie, which bought the shares in the final quarter of 2014 for US\$ 83 million to secure Suriname's share in the operations. The total investment for the mine is close to US\$ 1 billion. The mine has an expected life of 12 years and annual production is about 400,000 troy ounces. With its 25 percent stake, Suriname may count on net revenues of US\$37 million a year, comprised of 6

<sup>2</sup> As mandated by law, total debt may not exceed 60 percent of GDP. Specific limits are also set for domestic and external debt at 25 and 35 percent of GDP, respectively.

<sup>3</sup> The international definition of gross debt as defined by the IMF consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future (GFSM 2001, paragraph 7.110). The national definition considers the total outstanding debt as all obligations borne by the State, including the not yet recognized amounts of contracted debt and overdue interest and costs.

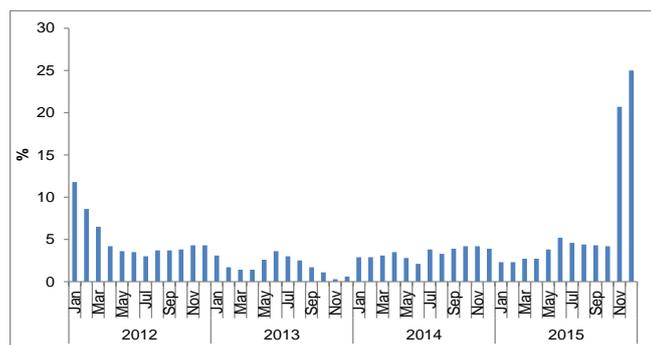


# SURINAME

## MULTILATERALS TO SUPPORT ECONOMIC PROGRAM

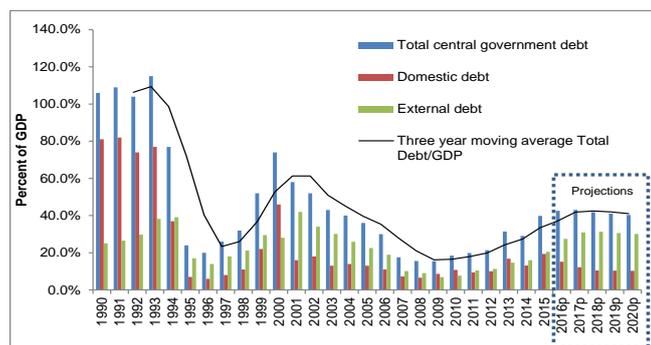
percent in royalties at an assumed price of US\$ 1,100 per troy ounce and US\$10.5 million in income tax. Currently 2,900 people are employed for the construction phase; however, the number of workers will drop to 1,300 when operations begin.

**Figure 1. Monthly Annualized Inflation**



Source: IMF, Bureau of Statistics, and CBvS.

**Figure 2. Evolution Central Government Debt**



Source: IMF, Central Bank of Suriname, and Suriname Debt Management Office.

**Suriname's overall financial system is considered stable, but reform measures are still outstanding.** The Central Bank of Suriname published its first Financial Stability (FSR) report. The report summarizes the banking system as resilient and well-capitalized, profitable, and with an adequate level of liquidity. Capital adequacy ratios (CARs) were above the regional average of 10 percent while the non-performing loan (NPL) ratio decreased from 7.8 percent in 2008 to 6.2 percent in 2014. However, improved regulations related to capital requirements, loan classification, and provisioning standards still need to be implemented. Additional reform of the financial sector would be achieved with the approval of the draft Anti-Money Laundering and Anti-Terrorism Act which is currently before Parliament. Additional actions for the financial sector reform agenda relate to risk management and foreign exchange risk. A new insurance law was drafted and a credit bureau and deposit insurance scheme are under development.

**Suriname must provide proof that it operates according to the international guidelines with regards to illegal money transfers.** The Central Bank and the Ministry of Finance must report regularly to the Caribbean Financial Action Task Force (CFATF) to prove their alertness regarding financial transactions as well as prove that the justice system investigates and indicts persons who transgress the rules. The authorities must meet a May 2016 deadline in order to avoid being black-listed.

**A new Governor of the Central Bank of Suriname has been appointed.** Mr. Glen Gersie officially took over as Central Bank (CBvS) governor at the start of February. Mr. Gersie once held the position of Director of Monetary and Economic Affairs at the CBvS. The new Governor has indicated the restoration of the foreign currency market as his first order of business given the fluctuation in the spread between the parallel and official exchange rate for the dollar in the past couple of years. The CBvS will introduce a system of currency auctions in the financial system. The auctions are expected to be held weekly and the weighted average rate for the US dollar would be based on the results of that day.

**Zika is affecting the health system in Suriname.** Four Zika-related deaths have been reported to officials and reports of cases have come in mainly from remote areas in the hinterland and western districts. Many international organizations (e.g. PAHO, WHO, UNICEF) are providing financial and technical support to Suriname in the areas of public awareness, detection, response capacity, prevention, and research. The economic cost of the Zika virus is estimated at around 0.06 percent of GDP.<sup>4</sup>

**Unemployment rates increased in light of a weakened macroeconomic position.** The Bureau of Statistics reports an increase in unemployment from 6.6 percent in 2013 to 6.9 percent in 2014. The IMF estimated a further increase in unemployment in 2015 to 8.9 percent. The closure of the Suralco bauxite plant and other constraints to the agricultural sector should further increase unemployment statistics.

High Frequency Macroeconomic Indicators				
	Lastest data	Period	Prior data	Period
Real GDP growth (y/y)	1.5	Oct. 15	2.7	Apr. 15
Inflation (end of period)	25.0	Dec. 15	20.4	Nov. 15
Net international reserves (US\$M)	308.7	Jan. 16	330.2	Dec. 15
Exchange rate (to US\$)	4.0	Dec. 15	3.3	Oct. 15
Unemployment rate (%)	8.9*	2015	6.9	2014

Sources: Central Bank van Suriname; General Bureau of Statistics; World Economic Outlook (October 2015).  
\* data is estimated

<sup>4</sup> World Bank. 2016. The short-term economic costs of Zika in Latin America and the Caribbean. [www.worldbank.org](http://www.worldbank.org).



# SURINAME

## OVERVIEW OF CRIME

### Introduction

In Suriname, crime is reported as low and has consistently declined over the past decade.<sup>5</sup> Data from a recent IDB victimization survey provide evidence of Suriname having one of the lowest crime rates in the region. Crime is only considered to be a major problem by one third of Surinamese - below the Caribbean average (44%). However, substantial data gaps exist on other forms of violence, such as intimate partner and sexual violence, as these types of violence are not well measured by police data or crime surveys.

**Crime is costly for the private sector.** In 2014, more than half (70%) of the private firms in the country reported paying for security. About 29% of firms reported experiencing losses due to theft and vandalism, amounting to losses of 5.7% of annual sales<sup>6</sup> (double the Caribbean average of 2.3%<sup>7</sup>).

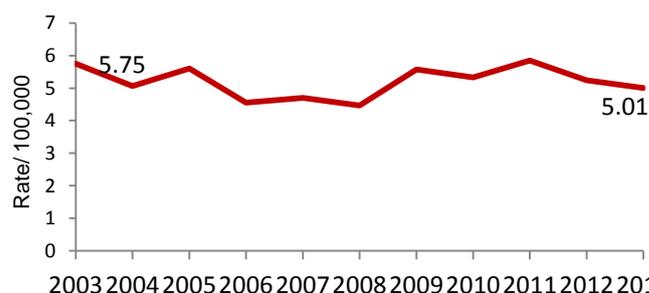
### The Issues and Challenges

**Homicide rates have been consistently low over the last past decade.** In 2013, homicide was reported at 5.01 per 100,000 people (Figure 1),<sup>9</sup> which was far lower than the average homicide rate for the Caribbean region (16 per 100,000 inhabitants) and even below the global average of 6.2 per 100,000. The accuracy of homicide rates can still be challenged by underreporting and under recording. Figure 2 shows discrepancies between police (KPS) registered homicides and cases of mortality due to assault registered by the Suriname Bureau of Public Health (BOG). BOG reports a significant number of deaths resulting from events of “undetermined intent”. This comparison serves to show that the numbers of actual homicides in the country may possibly be higher than the official police statistics.

**Suriname’s capital city, Paramaribo, has the lowest victimization rates compared to other capital cities in the Caribbean.** Victimization rates for five common

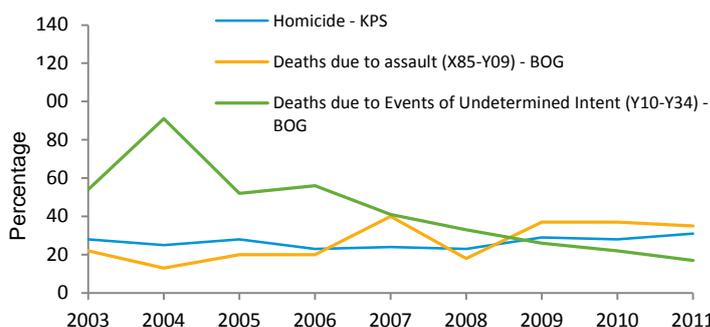
crimes in Paramaribo (9.9%) are the lowest in the Caribbean region (capital city average of 13.7%).<sup>10</sup> In 2013, only 0.6% of residents of Paramaribo reported being a victim of vehicle theft, 3.3% of personal theft and 1.5% robbery.<sup>11</sup> Victimization by assault and threat of assault (4.9%) was also lower<sup>12</sup> than the Caribbean average (6.8%) and near international average for capital cities (4.4%). Prevalence of burglary (4.5%) was on par with the Caribbean and international averages.

Figure 1: Murder rate per 100,000 Population 2000-2013



Source: Homicide data provided by KPS/DCIV. Rate calculations made using population estimates from the World population Prospects (2012 Revision) for respective years.

Figure 2- Absolute number of Homicides (KPS) vs. Cases of Mortality Due to Assault and Violent Deaths due to Events of Undetermined Intent<sup>13</sup> (BOG): 2003-2011



Source: Unpublished data provided by the KPS/DCIV on homicides and by the BOG using mortality data for IDC-10 codes X85-Y36 2003-2011.

<sup>5</sup> The overall rate of reported crimes fell by nearly 22% in the past five years and by 27% since 2000 according to *Dienst Criminele Informatie Voorziening (DCIV)* of the *Korps Politie Suriname (KPS)*.

<sup>6</sup> Note that only 43% of firms experiencing losses due to theft responded this question.

<sup>7</sup> The Caribbean average includes 13 countries from the region.

<sup>8</sup> The PROductivity, TEchnology and INnovation survey (PROTEqIN) was launched in 2013/2014 by the IDB and Compete Caribbean. This survey covered 13 Caribbean countries, with a sample of 1966 firms drawn from the same sample of the Caribbean Enterprise and Indicator Survey 2011 (CES 2011) that was conducted as part of the Latin American and Caribbean Enterprise Surveys (LACES). See [http://competecaribbean.org/wp-content/uploads/2015/05/Technical\\_note\\_PROTEqIN\\_and\\_LACES-final.pdf](http://competecaribbean.org/wp-content/uploads/2015/05/Technical_note_PROTEqIN_and_LACES-final.pdf)

<sup>9</sup> The homicide rates have been calculated based on population estimates from the United Nations Population Division (World population Prospects: 2012 Revision)

<sup>10</sup> In 2014 the IDB designed a victimization module to produce comparable victimization data for 6 common crimes across the Caribbean. The module was included in the 2014 LAPOP survey five Caribbean countries. Results will be presented in a forthcoming report in 2016.

<sup>11</sup> World averages for capital cities where the ICVS has been implemented between 1996 and 2005 are 1.2%, 8% and 2.9% respectively.

<sup>12</sup> Note that assault & threat do not include domestic violence.

<sup>13</sup> Undetermined intent (ICD codes Y21-Y33) should be used when there is specific documentation in the record that the intent of the injury cannot be determined. If no such documentation is present, the death should be coded as accidental (unintentional).



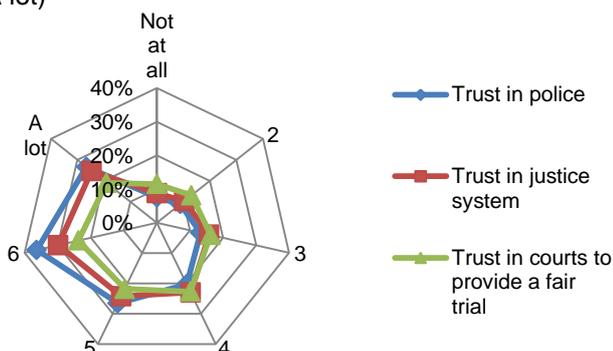
# SURINAME

## OVERVIEW OF CRIME

**National levels of indirect victimization were also among the lowest in the region.** Only 8.9% of respondents nation-wide reported having lost a close friend or family member to violence in their lifetime, which is considerably below the Caribbean average (24.8%). Likewise, only 14.6% of respondents reported having witnessed an attack that resulted in serious injury or death in their lifetime, again far below the Caribbean average (26%).

**High levels of trust in the police, legal system and courts could be related to overall lower crime levels.** Figure 3 shows that reported levels of trust in criminal justice institutions are generally high, especially pertaining to the police.

**Figure 3:** How much do you trust the police, justice system and courts to provide a fair trial? (1=Not at all, 7=A lot)

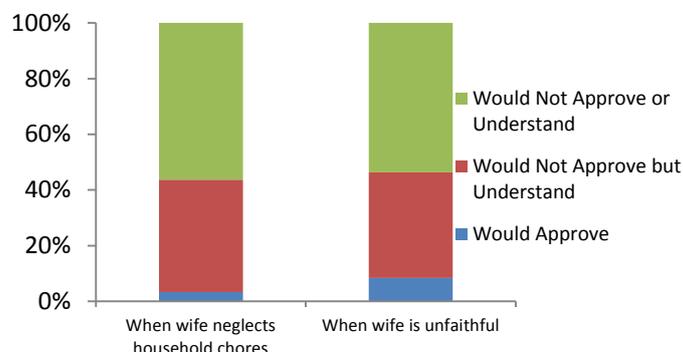


Source: LAPOP Suriname dataset 2014

**However, other types of violence that are not well captured by crime surveys or police records may be a more significant concern.** Suriname registers the second highest acceptance of wife beating among five Caribbean countries surveyed by LAPOP in 2014/2015 (Figure 4). In fact, nearly half (46.3%) of Surinamese would approve or understand wife beating in a case of infidelity and 43.6% in a case of neglect of household chores. Intimate partner and sexual violence are highly underreported in police statistics and no specific surveys have been implemented in Suriname to gauge their prevalence. However, many international studies have found that the degree to which wife beating is accepted is one of the strongest and most consistent factors that predict prevalence across sites and countries.<sup>14</sup> Therefore it is not unprecedented to use these norms as a proxy for levels of Intimate Partner Violence within a country.

<sup>14</sup> Abramsky, T., et al., What factors are associated with recent intimate partner violence? Findings from the WHO multi-country study on women's health and domestic violence. *Biomed Central Public Health*, 2011. 11(109): p. 1--17.

**Figure 4:** Tolerance of wife beating in Suriname



Source: LAPOP Suriname dataset 2014

### Conclusion and Implications

**Existing data collection systems on crime and violence are unreliable and further work is required to modernize them and promote data sharing between institutions.** Suriname Police Corps (KPS) crime recording is still entirely paper-based and much information can be lost between police stations and the DCIV (crime information division) where crime statistics are compiled by hand. Some advances have been made to bring more technology to the police force in recent years<sup>15</sup>; however a modern database of reported crimes that can be accessed from all police stations would be an important next step. More training, resources and capacity building around data collection in the public hospitals could also help expand understanding about violence, particularly of intimate partner and sexual violence. Finally, regular crime victimization and Women's Health surveys can provide additional information on prevalence of victimization.

**While the recent IDB/LAPOP victimization survey confirms relatively lower levels of common crime in Suriname, there are two important caveats.** First, the survey had limited reach in the interior of the country, particularly near the border with Brazil, where crime surrounding gold mining is reported to be more common. A separate study of this geographical area could produce very different conclusions. Secondly, the survey does not adequately measure Intimate Partner and Sexual Violence. Given the high levels of acceptance of wife beating, it is not unlikely that actual perpetration is also high. Further research around these two questions would be essential to inform public policy related to citizen security in the country.

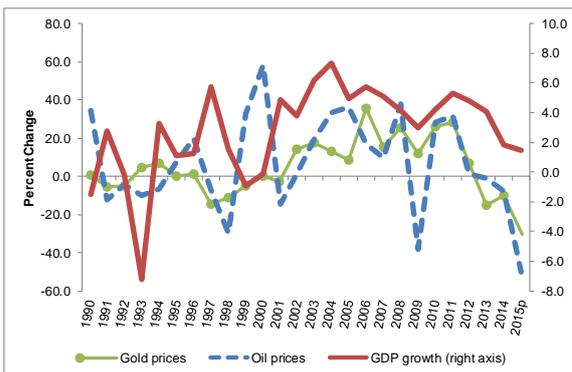
<sup>15</sup> A Police Force Digital finger Print System, for instance, has recently enabled officers to use computers to identify fingerprints and access criminal records. A new three-digit helpline was also established for citizens to provide information on crimes.



**Suriname's Macroeconomic Snapshot**

*Low commodity prices restricted economic growth...*

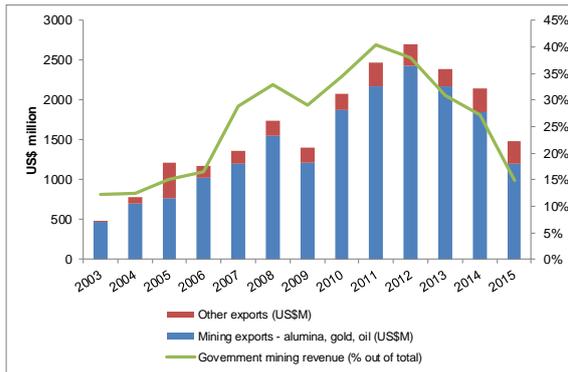
Figure A. Real GDP, and Commodity Prices



Sources: Central Bank of Suriname; and IMF.

*... and reduced government revenue and export contributions from the mining and oil sectors.*

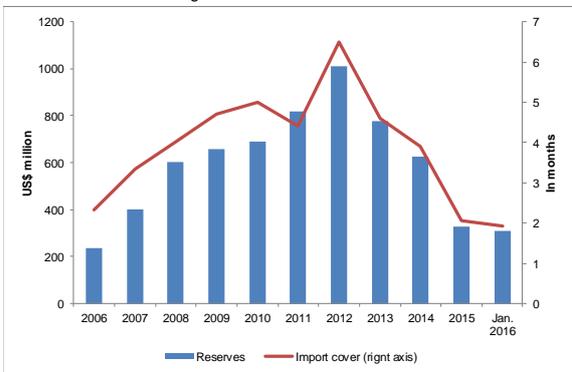
Figure B. Mining Dependence



Source: IMF.

*As a result, the international reserve position weakened...*

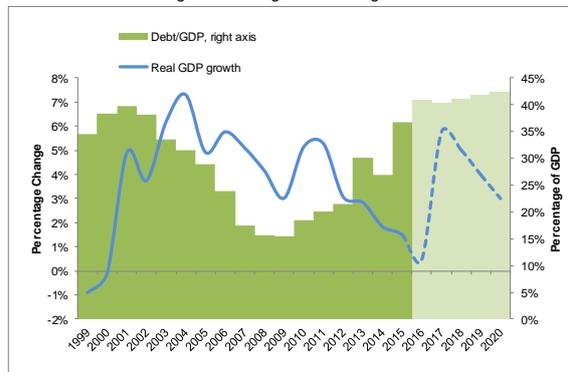
Figure C. International Reserves



Source: Central Bank of Suriname.

*... and the stock of debt increased.*

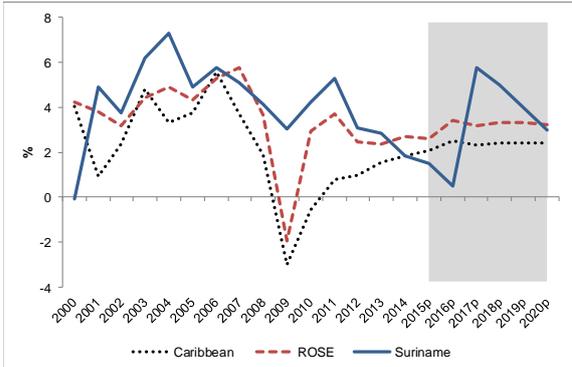
Figure D. Changes in Exchange Rate



Sources: Central Bank of Suriname; and IMF.

*Investments in the mineral sectors should stabilize economic growth and return to historical levels ...*

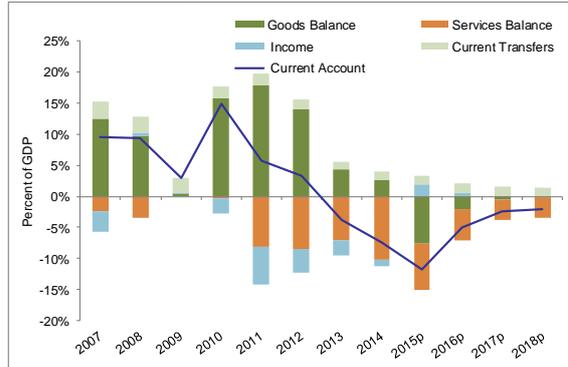
Figure E. Growth Prospects



Source: IMF.  
Note: ROSE = Rest of small economies.

*... and the current account balance should improve to more sustainable position in the medium term.*

Figure F. Current Account Balance



Source: IMF.



**Suriname: Selected Indicators**

	2011	2012	2013	2014	2015 (p)	2016(e)
(Annual percentage changes, unless otherwise indicated)						
<b>Real sector</b>						
Real GDP	5.3	3.1	2.8	1.8	1.5	0.5
Nominal GDP	20.5	13.7	3.0	1.5	-3.1	2.7
Inflation (end of period)	15.3	4.4	0.6	3.9	25.0	3.2
Unemployment*	7.5	8.1	6.6	6.9	8.9	8.9
Exchange rates (end of period)	3.3	3.3	3.3	3.3	3.4	4.0
(In percent of GDP, unless otherwise indicated, on a calendar year basis)						
<b>External sector</b>						
Exports of goods and services	60.3	57.6	50.1	45.2	40.6	41.3
Imports of goods and services	50.7	52.0	52.9	52.8	50.5	49.6
Current account	9.6	5.7	-2.8	-7.6	-9.4	-7.8
Gross international reserves (US\$ millions)	816.9	1008.4	775.4	621.8	330.2	308.7**
<b>Central government</b>						
Revenue and grants	26.7	25.1	24.7	23.5	21.2	23.6
Commodity-related revenues	10.8	9.6	7.8	6.1	3.1	4.0
Total expenditure	26.1	29.0	31.5	28.7	30.2	28.5
Primary balance	1.5	-2.9	-5.4	-4.3	-7.8	-3.5
Overall balance	0.5	-3.9	-6.8	-5.1	-9.1	-5.0
<b>Debt indicators***</b>						
Total government debt	20.1	21.6	29.9	26.8	41.0	-
Government debt over revenues	75.4	85.8	122.2	114.6	174.2	-
External debt	10.7	11.6	14.6	15.8	20.3	-
Domestic debt	9.4	10.1	15.3	11.0	20.6	-
External debt as percent of exports of goods and services	49.5	49.5	66.0	35.4	-	-

Sources: Central Bank of Suriname; General Bureau of Statistics; World Economic Outlook, IMF (October 2015); IDB.

Notes: (P) denotes provisional figures. (e) denotes estimated figures. The impact of the 2015 currency devaluation is not reflected in the projected numbers.

\* Data from the General Bureau of Statistics for Paramaribo and Wanica only (this represents about 70 percent of the population).

For 2015 and 2016, statistic sourced from the IMF.

\*\* Data as at the end of January 2016.

\*\*\* Data based on the international definition of debt.

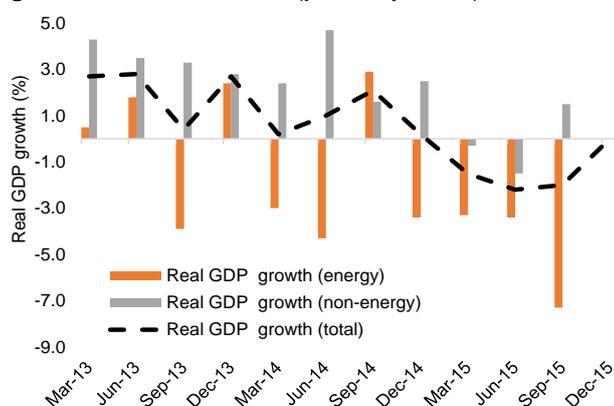
# TRINIDAD AND TOBAGO ADJUSTING TO A NEW ECONOMIC REALITY



**Global factors will continue to weigh negatively on Trinidad and Tobago's growth outlook.** The uptick in global growth is projected to be more gradual than initially expected. The International Monetary Fund has identified three key transitions that will continue to influence the global economy, namely the slowdown and rebalancing of the Chinese economy, lower commodity prices, and the tightening of monetary policy in the United States. These factors, particularly a sustained decline in energy prices and rising U.S. interest rates, will present a major challenge to Trinidad and Tobago's growth prospects over the short-medium term.

**Domestically, lower energy production and falling crude oil prices have contributed to four consecutive quarters of negative growth in the energy sector.** Crude oil production declined by almost 10 percent for the first 11 months of 2015, and natural gas production fell by 8 percent for the same period. The shortage of natural gas output has also weighed negatively on the downstream petrochemical sector. Weak performances were also observed in some of the non-energy sectors such as distribution and construction. These trends are expected to continue in the short term as external risks remain tilted to the downside.

**Figure 1. Real GDP Growth (year on year, %)**



Source: Central Bank of Trinidad and Tobago

**Trinidad and Tobago has implemented a new Value Added Tax (VAT) regime.** The new VAT regime that came into effect on February 1<sup>st</sup> lowered the VAT rate from 15 percent to 12.5 percent and expanded the VAT base to include some previously zero-rated items. The authorities are aiming for a 40 percent (year-on-year) increase in VAT collections to supplement revenues in light of falling energy revenues.

**Exchange rate has depreciated.** The Trinidad and Tobago dollar has depreciated 2.6 percent against the U.S. dollar from the start of the fiscal year (October 2015) to the first week in February 2016. This compares to a 0.42 percent appreciation for the same period in the previous fiscal year. Pressures on the exchange rate are expected to continue as falling oil prices have resulted in a lower supply of foreign exchange to the domestic banking sector.

## Highlights

*The Central Bank maintained the "Repo" rate at 4.75 per cent.*

*Headline inflation slowed to 1.5 percent in December 2015.*

*Exchange rate has depreciated by 2.6 percent since the start of fiscal year 2016.*

*Trinidad and Tobago's ease of doing business ranking fell by 3 positions from 85th to 88th in 2016.*

*Trinidad and Tobago continues to score low on fiscal transparency*

**Current account surplus has narrowed significantly.** The current account balance deteriorated from a surplus of 30 percent of GDP in 2008 to 0.7 percent in 2015. This was due mainly to declining energy volumes and prices. Total exports have declined by almost 25 percent in the first half of 2015. Energy exports declined by 30 percent (year-on-year), while non-energy exports contracted by 25 percent, particularly in the manufacturing sector. External competitiveness also declined in 2015 as shown by a 10 percent increase in the trade-weighted real effective exchange rate. Meanwhile, non-energy imports increased by 8 percent. As a result, the current account surplus narrowed in 2015 to 0.7 percent GDP from 4.6 percent in 2014.

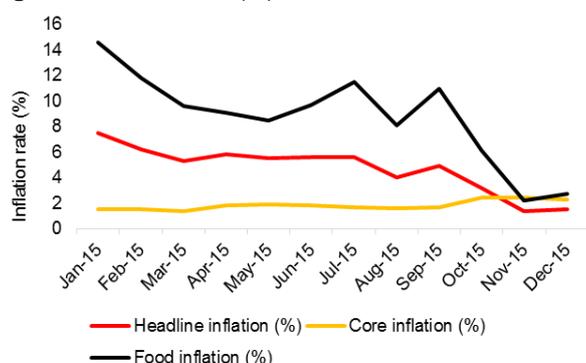
**Foreign reserves continue to decline.** Net official reserves have declined by almost 14 percent in 2015. Nonetheless, the country's official reserves stood at US\$9.8 billion or 11.1 months of prospective imports of goods and non-factor services as at December 2015. It is expected that lower foreign 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.

**Inflation has slowed.** Headline inflation slowed to 1.5 percent in December 2015, a decline from 7.5 percent in January 2015. This deceleration was largely due to a significant decrease in food inflation which fell from 14.6 percent at the start of the year to 2.7 percent in December 2015. Core inflation, on the other hand, hovered around 2.3 percent, above the levels observed during the year (Figure 2). The Central Bank is projecting that aggregate demand should remain contained, but the inflationary outlook will be influenced by the net effect of VAT changes and weather-related shocks.

**The Central Bank maintained the "Repo" rate at 4.75 per cent.** After increasing the repo rate eight consecutive times since September 2014, the Bank has maintained the rate at 4¾ percent in 2016. This decision was based on prevailing economic conditions and a less than favorable short-term outlook.

# TRINIDAD AND TOBAGO ADJUSTING TO A NEW ECONOMIC REALITY

**Figure 2. Inflation rate (%)**



Source: Central Bank of Trinidad and Tobago

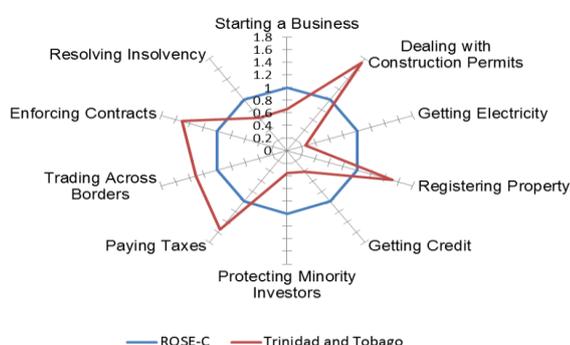
### Liquidity levels remained elevated in January 2016.

Commercial banks' excess reserves averaged TT\$4.0 billion for most of January 2016, an increase from TT\$3.4 billion in December 2015. The Central Bank continued to employ its various instruments such as open market operations, treasury bills and special deposits to manage the liquidity situation.

### Private sector credit slowed in the latter part of 2015.

Lending by commercial banks to the private sector increased by 5.9 per cent in November 2015, slower than what was recorded at the beginning of 2015. Loans to the real estate sector increased by 8.2 percent (year-on-year) in November 2015, the slowest rate of expansion since 2011. Consumer lending expanded by 7.1 percent in November 2015, a marginal slowdown from 8.3 percent in March 2015. Loans to businesses increased by 3.7 percent in September 2015 (year-on-year) from 3.8 per cent in September 2014. A breakdown of business lending shows rising loan balances for the manufacturing, energy and distribution sectors, but declines for construction and other services sectors.

**Figure 3. Ease of Doing Business Index (2016)**



Source: World Economic Forum.

Note: ROSE-C=Rest of Small Commodity based Economies

**Trinidad and Tobago's ease of doing business ranking fell by 3 positions from 85<sup>th</sup> to 88<sup>th</sup> in 2016 (Figure 3).** Deterioration was observed in several areas, namely starting a

business, getting credit, resolving insolvency, and protecting minority investors. The country recorded an improvement in trading across borders and no change in paying taxes and enforcing contracts (Figure 3). Moreover, Trinidad and Tobago ranks 89th (of 189 countries) on the 2015-2016 Global Competitiveness Index, retaining its rank from the previous year. Poor work ethic, perception of corruption, government bureaucracy, crime and access to financing were identified as the most problematic factors for doing business in the country.

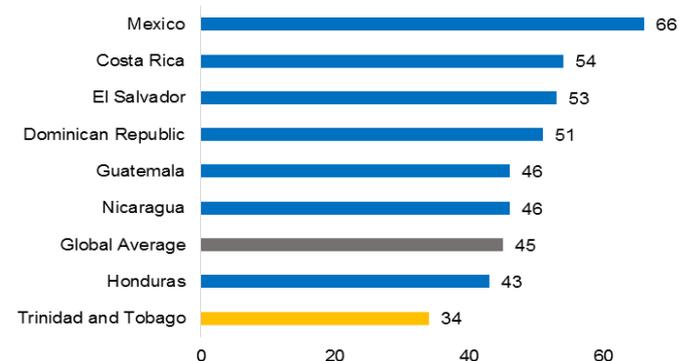
### Trinidad and Tobago scored low on the 2015 open budget index (Figure 4).

The country's score of 34 out of 100 is lower than the global average and other regional comparators. Areas identified for improvement include the production and publication of a pre-budget statement, citizens' budget, in-year reports, mid-year reports and year-end reports. Specifically, the open budget survey finds that the legislative oversight can be strengthened by having a formal pre-budget policy debate in the legislature and strengthening of the supreme audit institution. There is also considerable room to improve public participation in the budget process which is important to foster a greater level of fiscal transparency and openness.

### Trinidad and Tobago has declared a national public health emergency over the mosquito-borne Zika virus.

Although there are no reported cases of Zika in the country to date, the health authorities have begun to establish a Rapid Response Unit, which will involve collaboration across the Ministries of Local Government and National Security and other State agencies to tackle the virus.

**Figure 4. The Open Budget Index (2015)**



Source: Open Budget Initiative

High-Frequency Macroeconomic Indicators				
	Last data	Period	Prior data	Period
Annual GDP growth (%)	-2.0	Q3 2015	-2.2	Q2 2015
Exports (12-month growth)	-30.2	Q2 2015	-18.0	Q1 2014
Imports (12-month growth)	-13.7	Q2 2015	-13.2	Q1 2014
Private sector credit growth (%)	5.7	Q3 2015	4.8	Q3 2014
Inflation (% yoy change)	1.5	Dec-15	1.4	Nov-15
Exchange rate (end of period)	6.46	Jan-16	6.43	Dec-15
Unemployment rate (%)	3.2	Q2 2015	3.6	Q1 2015

# TRINIDAD AND TOBAGO THE CHALLENGE OF REDUCING CRIME AND VIOLENCE

## Introduction

### Intensification of violent crime in Trinidad and Tobago has increased perceptions of insecurity among citizens.

Following changes in the drug trade in Latin American countries in the 1990's, Trinidad and Tobago's geographical location made it a very attractive target for trafficking in illicit drugs and firearms (United Nations Office on Drugs and Crime (UNODC) and World Bank, 2007). In the 2014 Latin American Public Opinion Poll (LAPOP), nearly 67 percent of individuals from Trinidad and Tobago identified security as the most important problem facing the country—the highest percentage in Latin America and the Caribbean. Many promising prevention and suppression efforts have been implemented in recent years and murder rates have indeed declined since 2009. However, there is not enough evidence to link the reductions to any particular policies, programs or interventions, making it difficult to increase investment in successful initiatives.

### The cost of crime in Trinidad and Tobago is high.

Government expenditure on security is the highest in the Caribbean—13.9 percent of the national budget and 12 percent of GDP. The impact of crime on GDP growth is also projected to be the highest in the region. According to estimates, Trinidad and Tobago's GDP growth could have been 2 percent higher had its rate of homicide growth been equal to the global average during the period 1995-2011.<sup>1</sup> While 85 percent of businesses reported spending on private security measures, the amount spent (2 percent of sales) was comparable to the Caribbean average. Similarly, 23 percent of businesses reported being victims of crime, but financial losses due to crime (1.7 percent annual sales) were relatively lower than the Caribbean average (2.3 percent), (PROTEqIN, 2014).

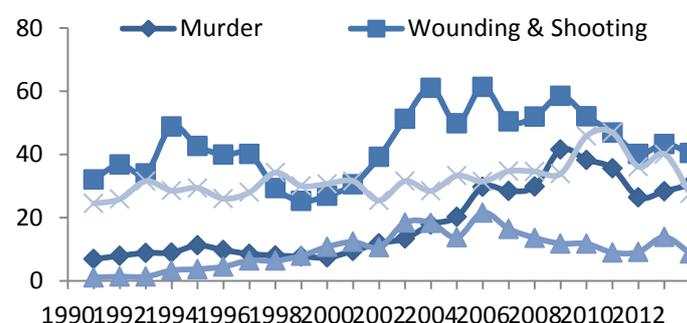
## The Issues and Challenges

**While homicide rates have been falling since 2009, at 27.6 per 100,000 inhabitants, they are still five times the global average and some of the highest in Latin America and the Caribbean (UNODC, 2013)<sup>2</sup>.** Although they experienced a steep decline since 2009, homicide rates have more than doubled during the period 2000 and 2015, from 9.5/100,000 to 24.1/100,000 in 2015 (Figure 5). The national reported robbery rate (220.6/100,000) and burglary rate (221.2/100,000) both significantly exceed global averages.

**Self-reported victimization rates in Port of Spain for five common crimes in 2013 are among the highest in the**

**region (14.2 percent).<sup>3</sup>** Victimization rates for theft (4.9 percent) were lower than Caribbean and international averages, burglary (4.2 percent) was near Caribbean and international averages, however, assault and threat (5.8 percent) were high by international comparison. Moreover, 24.1 percent of respondents nation-wide witnessed attacks resulting in serious injury or death and 18.8 percent reported having lost someone close to violence.

**Figure 5. Major crime rates per 100,000 Population, 1990-2013**



Source: Data provided by the Crime and Problem Analysis Branch (CAPA) of the Trinidad and Tobago Police Service (TTPS). The rates were calculated using population estimates (Med. Fertility) by the United Nations Department of Economic and Social Affairs Population Division (UNDESA, 2013).

### Violence has permeated society and is visible at the community and family levels.

Nearly one in four adults (24.2 percent) approves or understands if a man beats his wife when she is unfaithful. Although lower than the Caribbean average (34.3 percent), this acceptance is still significantly higher than other countries (i.e. Latin America).<sup>4</sup> Almost 80 percent of respondents believe it necessary to physically punish children (Figure 6). Additionally, gangs and gang violence have reached epidemic proportions. A majority of the population (75 percent) believe that gangs interfere with their daily lives and 40 percent report having a criminal gang active in their neighborhood.

### The police and justice system are overwhelmed and minimally effective in the face of high levels of crime.

The TTPS crime detection rates are low and have been declining since 2000. In the case of murder, detection rates averaged 64.8 percent between 1990 and 1999, and then plummeted to 13 percent by 2013. Even for those cases that make it to trial, only around half result in a conviction. Forty-one percent of cases in the Magistrates Courts (2010-2014) and 23.6 percent of cases (2007-2013) in the Supreme Court resulted in guilty pleas, while 7.9 percent and 37.8 percent respectively resulted

<sup>1</sup> To estimate the impact of crime on growth, cross-country panel data on homicide rates (UNODC) and GDP growth can be used from 1960-2014. The results show that world-wide, an increase of 1 in a country's homicide rate per 100,000 is associated with a 0.8 percentage point reduction in economic growth.

<sup>2</sup> The world average homicide rate (6.2/100,000), Central America (approx. 25/100,000), South America (approx. 21/100,000), and the Caribbean (approx. 20/100,000), (UNODC, 2013).

<sup>3</sup> In 2014 the IDB designed a victimization module to produce comparable victimization data for 6 common crimes across the Caribbean. The module was included in the 2014 LAPOP survey five Caribbean countries. Results will be presented in a forthcoming report in 2016.

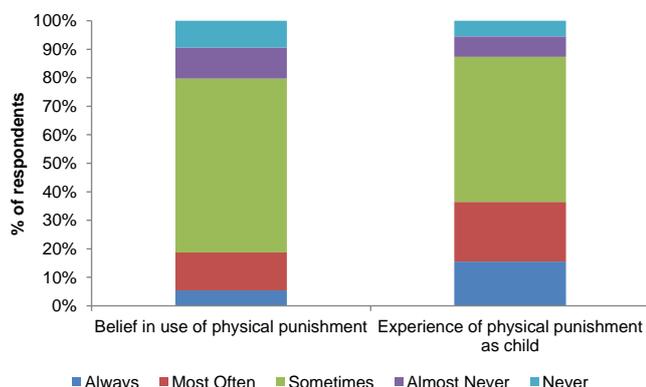
<sup>4</sup> In Latin America, on average 28.7% of adults approve or understand wife beating in case of infidelity. Latin American Average is the unweighted average of LAPOP responses from Mexico, El Salvador, Nicaragua, Colombia, Ecuador, Paraguay, Venezuela, and Dominican Republic.



# TRINIDAD AND TOBAGO THE CHALLENGE OF REDUCING CRIME AND VIOLENCE

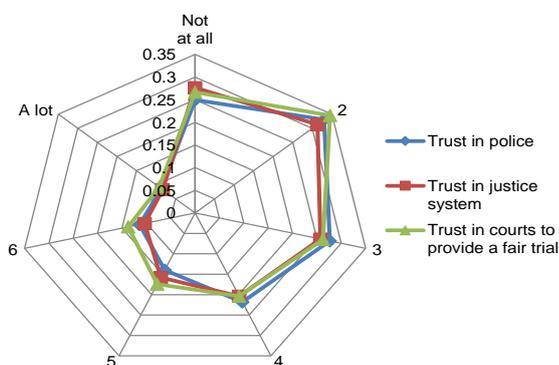
in convictions after trial. Prisons operate at 118 percent capacity and 53 percent of prisoners are pretrial detainees (World Prison Brief, 2013). In 2013, according to the TTPS, the daily average number of inmates in all facilities combined was 3,649 and the daily average number of prisoners on remand was 1,926 (Seepersad, forthcoming). As a result, residents have a low opinion of the institutions involved in security and the preservation of justice (Figure 7).

**Figure 6.** Child physical discipline in Trinidad and Tobago



Source: LAPOP Trinidad and Tobago dataset 2014

**Figure 7.** How much do you trust the police, justice system and courts to provide a fair trial? (1=Not at all, 7=A lot)



Source: LAPOP Trinidad and Tobago dataset 2014

## Conclusion and Policy Implications

**Within the last decade there have been signs of a shift towards a preventative approach to crime and violence.** Nineteen prevention-oriented programs and interventions, including those under the umbrella of the Citizen Security Programme (CSP) supported by the IDB, were identified in Trinidad and Tobago in a recent report mapping existing initiatives. Moreover, a number of legislative initiatives have been undertaken with the intended aim of reducing crime and violence, specifically regarding DNA, fingerprinting, the judicial system, and cybercrime issues. Nevertheless, more work is required to begin to identify the effects of public policies and

crime prevention programs. Noted decreases in crimes since 2009 may be connected to the increase in prevention-oriented programs and targeted hot spot police interventions, but in the absence of rigorous evaluations any conclusions would be premature.

**While there are many agencies and actors involved in crime control efforts, there is a lack of coordination among them** (Seepersad, forthcoming). The creation of the Ministry of Justice in 2010 was a first step to coordinate agencies and programs in the fight against crime. Under the new administration elected in 2015, structural changes have eliminated this Ministry and it remains to be seen how well coordinated these efforts will be moving forward.

**Steps have been taken to improve effectiveness and trust in the TTPS, however police prevention and investigation capacity continues to be a critical focus.** Significant improvements have been made to the TTPS particularly with support from the Citizen Security Programme (CSP). However, a Needs Assessment process has revealed several areas in need of improvement to increase investigative capacity. Given the high mistrust in the police, community policing and transparency on policy regarding police use of force remain critical areas of attention.

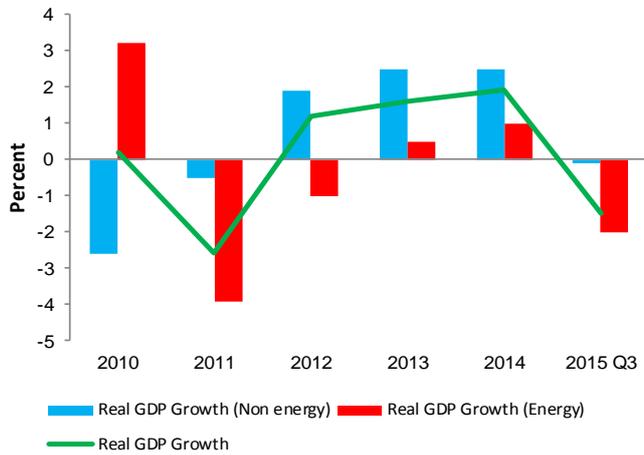
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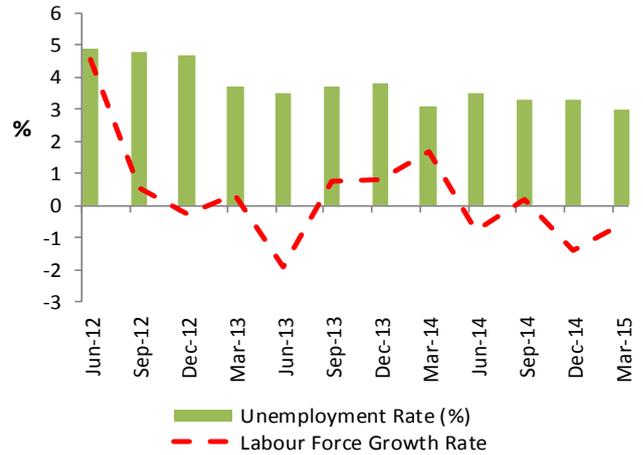
# TRINIDAD AND TOBAGO A SNAPSHOT OF THE ECONOMY



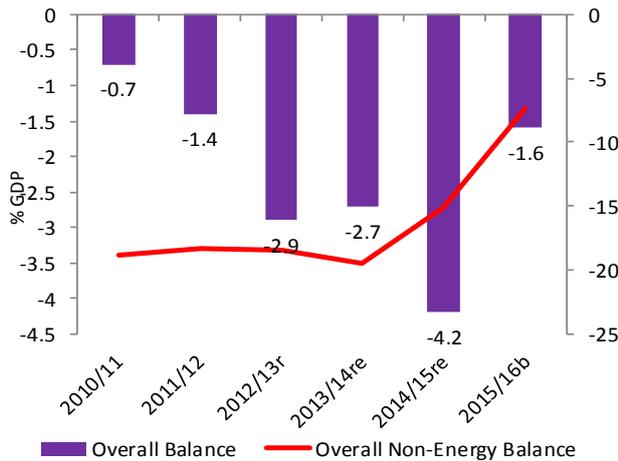
**Real economic growth has contracted ...**



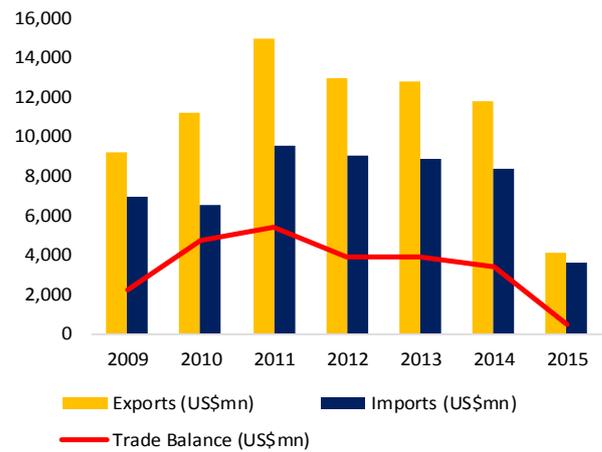
**Unemployment has declined slightly**



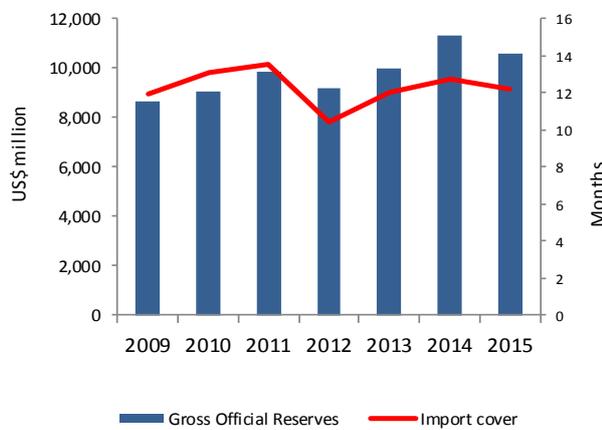
**The public sector's fiscal position has been in deficit in recent years**



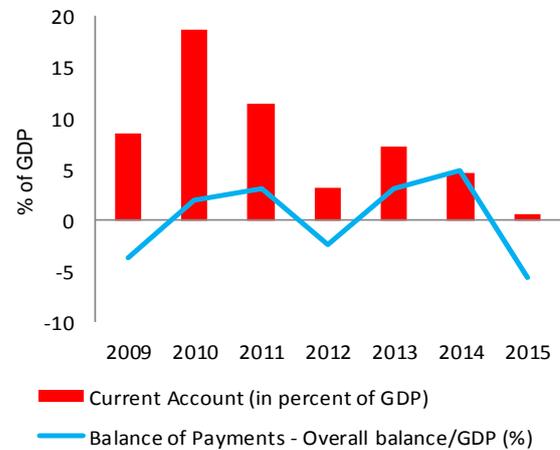
**Exports has declined along with the trade balance**



**Reserves have declined**



**External account has moved into deficit...**





# TRINIDAD AND TOBAGO

	2010	2011	2012	2013	2014	2015 (P)
<b>Real Sector</b>						
Real GDP (Total)	3.3	-0.3	1.3	2.3	-1.0	0.2
Real GDP (Energy)	2.4	-3.9	-2.8	1.3	-2.4	-3.4
Real GDP (Non-energy)	3.2	3.2	2.3	2.6	0.1	2.3
Inflation rate (%)	10.5	5.1	9.3	5.2	5.7	4.7
(In percentage of GDP, unless otherwise indicated, on a fiscal year basis)						
<b>External Sector</b>						
Exports of goods and services*	22.8	34.0	-13.5	45.4	-22.6	-15.5
of which: oil and natural gas*	-0.9	22.1	-20.9	69.5	-27.6	-24.3
Imports of goods and services*	-6.1	47.1	22.8	8.7	-11.1	-8.0
Current account (percentage of GDP)	19.8	11.9	3.4	7.0	5.7	0.7
<b>Central Government**</b>						
Revenue and grants	34.0	34.2	33.5	33.4	31.2	32.7
of which: energy revenues	17.6	18.8	16.0	15.0	15.8	10.9
Current expenditure	28.9	28.6	26.7	27.5	28.9	36.9
Capital expenditure and net lending	5.0	4.8	4.2	4.7	4.3	5.0
Primary balance	-2.3	-3.0	-3.4	-4.5	-3.3	-2.4
Overall balance	0.1	-0.7	-1.4	-2.9	-1.5	-4.2
<b>Debt Indicators</b>						
Public sector debt <sup>^</sup>	35.3	32.6	41.2	38.6	40.0	45.3
External public debt (end of period)	7.5	7.0	6.1	7.2	8.4	9.1
External debt service (% of GDP)	0.2	0.3	0.3	0.4	0.3	0.6

Source: Central Bank of Trinidad and Tobago, and International Monetary Fund, World Economic Outlook (October 2015)



## Recent Developments in 2015<sup>1</sup>

**The new Governor of the Eastern Caribbean Central Bank, Mr. Timothy Antoine, took office** on February 1, 2016. On his first day, he discussed his vision and referred to the stability of the financial system in the union as an integral part for growth and a primary objective. Maintaining a strong Eastern Caribbean dollar, promoting fiscal and debt sustainability, strengthening competitiveness and enhancing organizational effectiveness are important pillars in this vision. He noted the need to “deliver comprehensive oversight of the financial system that encourages the development of strong and resilient financial institutions, including indigenous banks, monitor credible and effective fiscal rules and enhance effectiveness through higher levels of transparency and accountability.” The Governor touched on the issue of correspondent banks withdrawing from the Eastern Caribbean Currency Union’s (ECCU) banking system. A practice known as “de-risking” in order to reduce the risks of failing to comply with anti-money laundering/combatting the financing of terrorism (AML/CFT) legislation. He noted concerns that de-risking would have a negative impact on the financial and tourism sectors, remittances, and education and medical transfers in the ECCU. Mr. Antoine is set to serve a five-year term between 2016 and 2020.

**Economic activity in the OECS averaged around 2% of GDP in 2015.** The Eastern Caribbean Central Bank, in its September 2015 Economic Review, estimated economic activity increased across all member countries in the first three quarters of the year. Growth was underpinned by a dynamic tourism sector, construction and agriculture, while manufacturing remained subdued. Dominica was the exception and contracted by -3%, as a result of the damages and losses caused by Tropical Storm Erika.

**Table 1. Tourism Performance  
January to September 2015 (% Change)**

Country	Total Visitors	Long-Stay Visitors by Air	Cruise Ship Passengers	Total Visitor Expenditure
Antigua and Barbuda	12.9	-3.0	22.4	-2.2
Dominica	-4.8	-0.5	-6.4	1.5
Grenada	3.6	6.9	2.2	10.6
St. Kitts and Nevis	30.6	6.2	35.6	-1.7
St. Lucia	5.7	3.2	8.9	5.1
St. Vincent and the Grenadines	-0.1	4.0	-4.0	1.5
<b>OECS</b>	<b>11.2</b>	<b>2.2</b>	<b>16.5</b>	<b>2.4</b>

<sup>1</sup> This bulletin focuses on developments in the independent countries of the OECS: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Vincent and the Grenadines, and St. Lucia. Figures exclude territories that are members of the OECS.

### Highlights

*The new Governor of the ECCB, Mr. Timothy Antoine, took office on February 1, 2016.*

*Prices declined in the OECS by the end Q3 of 2015 with inflation at an average -0.04 percent*

*Saint Vincent & the Grenadine’s Unity Labour Party retained office after winning the December 9, 2015 elections.*

*Antigua & Barbuda set to abolish the Personal Income Tax.*

*St. Lucia began accepting applications under its new Citizenship by Investment programme.*

Source: Eastern Caribbean Central Bank (ECCB).

**Tourism continued its strong recovery in 2015.** Total arrivals increased by 11.2 percent across the OECS for the first three quarters of the year. Cruise passengers led this growth with the number of cruise ship calls rising to 1,212 in 2015, from 1,095 in 2014. While cruise ship passengers grew by 16.5 percent, the pace of long-stay arrivals was slower at 2.2 percent for the months of January through September (See Table 1). Total visitor expenditure increased 2.2% to US\$895.5 million by September 2015 from US\$874.3 million a year earlier. The recovery across the main source markets and greater marketing and investment from American carriers in the Caribbean drove this demand.

**Fiscal consolidation continued in 2015 in four countries in the union.** Grenada saw its fiscal deficit fall to US\$5.2 million in September 2015 from US\$38.6 million twelve months earlier. St. Lucia witnessed the next largest decline with a deficit that reduced to US\$17.1 million, from US\$34.3 million a year earlier. St. Vincent’s deficit fell to US\$10 million from US\$21.6 million, while Antigua’s deficit declined to US\$15.3 million from US\$25.2 million. In contrast, Dominica’s fiscal position deteriorated on account of higher current spending, and lower capital grants. St. Kitts and Nevis maintained an overall fiscal surplus, but at US\$17.3 million for 2015 that was lower than the US\$58.6 million for September 2014. Higher expenditure, both current and capital, contributed to this reduction and a 3 percent increase in public sector salaries.

**A favorable external environment had a positive impact on the external position.** Declining global oil prices reduced the fuel import bill across member countries. In St. Kitts and Nevis the effect was offset by



higher imports for manufactured goods recording a wider trade balance over the first nine months of 2015. Grenada and St. Vincent and St. Kitts all experienced a decline in goods exports.

**Prices declined in the OECS** with inflation at an average -0.04 percent at the end of September 2015. Antigua and Barbuda recorded inflation at 0.6 percent with education services and household and furniture equipment offsetting the effect from the decline in fuel prices. The price of education dropped in St. Kitts and Nevis which, along with lower prices for clothing, footwear, food and non-alcoholic beverages experienced deflation of -0.6 percent for the period.

**Regional Airline LIAT is set to remove fuel surcharges from March 1, 2016.** With international fuel prices dropping to below US\$28 per barrel, LIAT announced it would remove fuel surcharges. The move would reduce the cost of passenger tickets by around 5% and would facilitate intra-regional travel across the union. With the Caribbean market being the second largest source market for the OECS countries, the move would be welcome by local residents.

### Country Developments

**Antigua and Barbuda is set to abolish the Personal Income Tax (PIT) regime effective April 1, 2016.** In his presentation of the 2016 Budget Statement, Prime Minister and Minister of Finance Gaston Browne announced the repealing of the policy would cost Antigua and Barbuda about US\$13.7 million in foregone revenues over the fiscal year. To partially offset the effect, the Revenue Recovery Charge would increase from 10 to 13 percent, while food would continue to be exempt from the Antigua and Barbuda sales tax (ABST). Additionally, the establishment of a Revenue Court aims to strengthen enforcement in tax collection; adjustments to Corporation and Business Legislation will ensure that businesses do not take unfair advantage of the repealing of the PIT; the introduction of the Unincorporated Business Tax Act will cover sole-traders and partnerships. The Government also announced the provision of hot meals to students under the National School Meals Programme (NSMP) free of charge.<sup>2</sup>

**St. Kitts and Grenada presented Budgetary Proposals for 2016.** St. Kitts granted a 3 percent increase in wages and salaries and retiring benefits to its civil service, auxiliary workers and pensioners that became effective on January 1, 2016. At the same time, risk pay to

security forces rose by 20 percent. In its budgetary proposals Grenada implemented a Fiscal Responsibility Law with an aim to introduce public spending limits. The Law caps the growth of expenditures to the growth rate of revenue and public sector wages and salaries at 9 percent of GDP. The budget also outlined efforts to continue improvements in tax administration, oversight of statutory bodies and business facilitation.

**St. Lucia began accepting applications under its Citizenship by Investment programme from January 1, 2016.** Prime Minister Dr. Kenny Anthony reported “tremendous interest from potential applicants aiming to become citizens of St. Lucia.” The island had been facing declining foreign direct investment and encountered challenges when raising money for development. The programme aims to be the catalyst for greater foreign private investment that could impact growth in the near future, particularly to boost the construction sector.

**In Saint Vincent, the Unity Labour Party retained office after winning the December 9, 2015 elections.** Prime Minister Dr. Ralph Gonsalves led his party to a fourth consecutive win, taking eight of the fifteen constituencies. The opposition, the New Democratic Party, held protest following the announcement of the election results. Elections in St Vincent & the Grenadines are held every five years; the legislature is unicameral with a House of Assembly comprised of 23 members, of which 15 are elected members.

**Dominica received a US\$12.5 million grant from Venezuela to upgrade its port infrastructure.** The Woodbridge Bay Port was built in 1976 and underwent major upgrades in 1995. Likewise, Japan provided US\$1.6 million in grant funding to purchase disaster reduction equipment manufactured by Japanese companies.

### Economic Outlook

**The OECS growth outlook remains positive.** According to the IMF’s October 2015 *World Economic Outlook*, growth in St. Kitts and Nevis is set to close at around 5 percent in 2015 then to 3.5 percent in 2016 with moderation from the construction sector. Grenada would close 2015 at 3.5 percent and 2016 at 2.4 percent, with an important contribution from education services, growth in spending per tourist, and agriculture. Output in Antigua, St. Vincent, and St. Lucia would be more modest. Antigua would grow around 2.2 percent in 2015 and 2016, with moderation in construction. St. Vincent is expected to grow by 2.1% in 2015 and 2.5% percent in 2016, while St. Lucia at 1.8% in 2015 and 1.4 percent in 2016. Dominica contracted by 3% in 2015, but the

<sup>2</sup> Under the NSMP approximately 3,000 students from 21 public primary schools and two government-run preschools paid a nominal fee of EC\$5 per week for school meals.



reconstruction efforts and new investments would drive growth to 3.9 percent in 2016

	2015	2016
<b>Antigua and Barbuda</b>	2.2	2.1
<b>Dominica</b>	-3	3.9
<b>Grenada</b>	3.5	2.4
<b>St. Kitts and Nevis</b>	5	3.5
<b>St. Lucia</b>	1.8	1.4
<b>St. Vincent and the Grenadines</b>	2.1	2.5

Source: World Economic Outlook, IMF (October 2015), IMF Country Report No. 15/316

**Fiscal gains may be slightly reversed in the last quarter of the year.** Grenada and St. Lucia are set to record improvements in their fiscal positions in 2015 with Grenada realizing a primary surplus for the first time since 2005. However, the recent elections in St. Vincent and its 2.5 percent retroactive pay increase for public servants would undermine fiscal consolidation. Dominica's deficit is expected to widen due to the contraction in economic activity, which adversely impacted revenues, and due to greater expenditure pressures from the rehabilitation and reconstruction efforts. St. Kitts and Nevis is set to realize a smaller surplus as a result of: a decline in VAT revenue due to the removal of VAT from food, medicine and funeral expenses and the granting of a VAT Reduction Day<sup>3</sup>; lower inflows under the Citizenship by Investment Programme and lower grant revenue; and higher overall expenditure.

**Lower oil prices would continue to contain inflation over the medium term.** The impact of lower oil prices is mostly positive with further reductions in electricity tariffs, gasoline and diesel prices at the pump, and greater disposable income. However, these reductions would be accompanied by lower fiscal revenues from the PetroCaribe program as Venezuela's economy struggles with declining oil prices.

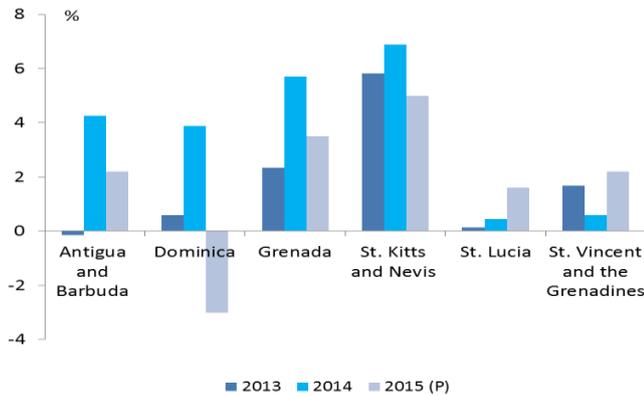
High-Frequency Macroeconomic Indicators				
	Last Data Period		Last Data Period	
Annual GDP growth (%)	1.7	Dec-14	1.1	Dec-13
Tourism arrivals (annual % change)	11.0	Jun-15	9.9	Dec-14
Inflation (end of period)	(0.08)	Jun-15	(0.41)	Dec-14

<sup>3</sup> The VAT Reduction Day, held on December 18, 2015, saw the VAT on goods reduced to 5 percent from 17 percent.



**Growth is returning to the OECS countries...**

Figure 1: Real GDP Growth



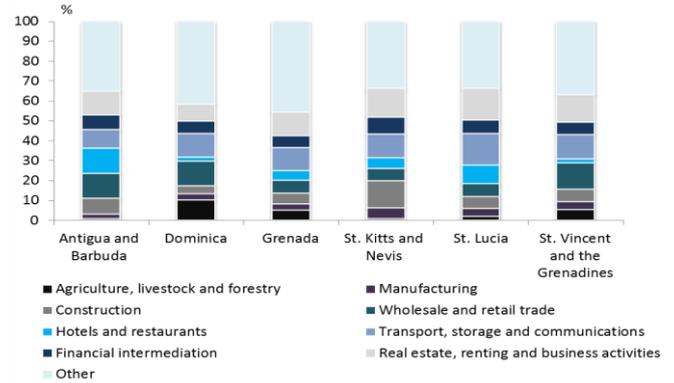
Note:

(P) denotes projected figures  
Projections are from the IMF

Source: ECCB

**...with tourism, construction, and agriculture leading the way.**

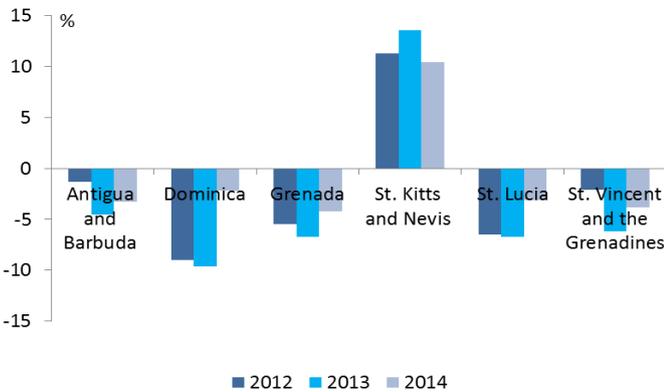
Figure 2: Contribution to GDP, 2014



Source: ECCB

**Large fiscal deficits across the member countries...**

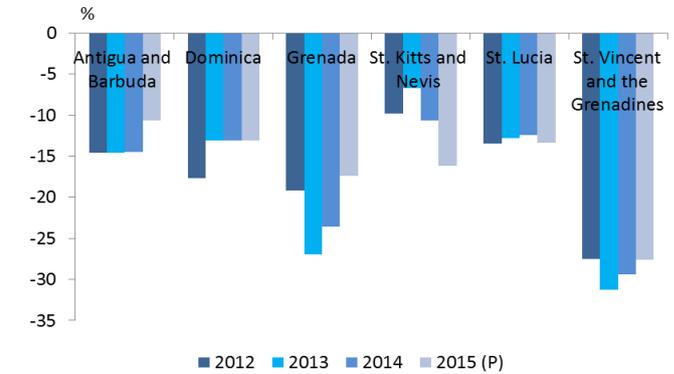
Figure 3: Fiscal Deficit (% of GDP)



Source: ECCB

**...and sustained current account imbalances...**

Figure 4: Current Account Balance (% of GDP)

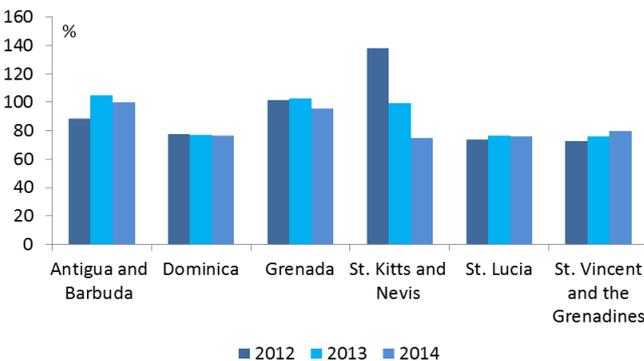


Note: (P) denotes projected figures

Source: ECCB

**...have led to a rapid accumulation of debt...**

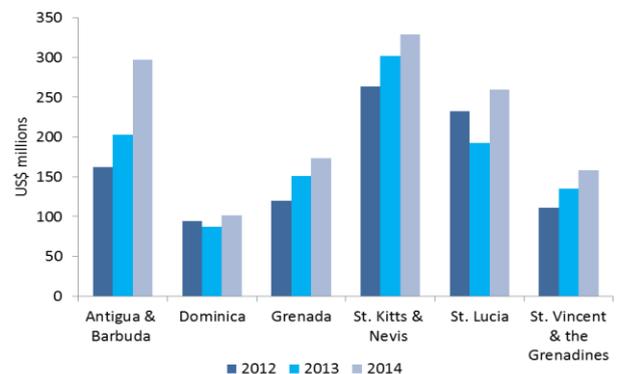
Figure 5: Central Government Debt (% of GDP)



Source: ECCB

**...but reserves have improved over time.**

Figure 6: Gross International Reserves (US\$ millions)



Source: ECCB

### OECS Selected Indicators

	Antigua and Barbuda				Dominica				Grenada			
	2012	2013	2014	2015 (P)	2012	2013	2014	2015 (P)	2012	2013	2014	2015 (P)
<b>Real Sector</b>												
Real GDP (% change)	4.0	(0.1)	4.3	2.2	(1.3)	0.6	3.9	(3.0)	(1.2)	2.3	5.7	3.5
Nominal GDP (% change)	6.6	(0.3)	3.5	3.2	1.2	0.4	1.8	1.6	2.8	4.4	3.1	2.4
Inflation (end of period)	1.8	1.1	1.3	1.0	1.2	(0.4)	(0.1)	0.9	1.8	(1.2)	(0.7)	(1.0)
<b>External Sector</b>												
Exports of goods and services (% change)	(0.2)	-	(0.1)	2.3	(15.9)	14.1	3.3	9.2	(7.4)	(4.0)	15.3	5.3
Imports of goods and services (% change)	17.2	(7.5)	2.2	2.3	(5.0)	(1.2)	4.7	15.1	2.4	23.9	(0.4)	1.5
Current account (% of GDP)	(14.6)	(14.6)	(14.5)	(10.7)	(17.7)	(13.1)	(13.1)	(13.1)	(19.2)	(27.0)	(23.6)	(17.4)
International reserves (USD millions)/1	162.0	202.6	297.0	N/A	94.6	87.1	101.7	N/A	119.5	150.6	173.5	N/A
International reserves cover (weeks)/1	2.6	3.1	4.9	N/A	4.1	3.9	4.9	N/A	3.3	4.0	5.2	N/A
<b>Public Sector</b>												
Total revenue (% of GDP)	19.9	18.4	18.6	N/A	27.1	28.6	29.9	N/A	20.6	21.3	27.1	N/A
Current expenditure (% of GDP)	20.6	21.6	20.3	N/A	23.6	26.2	25.5	N/A	21.1	21.0	21.5	N/A
Capital expenditure (% of GDP)	0.6	1.3	1.7	N/A	12.6	12.0	6.6	N/A	5.0	7.0	9.9	N/A
Central government primary balance (% of GDP)	1.1	(2.4)	(0.6)	N/A	(7.5)	(7.6)	(0.4)	N/A	(2.1)	(3.5)	(0.4)	N/A
Central government overall balance (% of GDP)	(1.3)	(4.5)	(3.3)	N/A	(9.0)	(9.6)	(2.2)	N/A	(5.5)	(6.7)	(4.2)	N/A
<b>Debt Indicators</b>												
General government debt (% of GDP)	88.6	104.9	99.9	N/A	77.8	77.0	76.3	N/A	101.4	102.5	95.6	N/A

Source: Eastern Caribbean Central Bank and IADB Staff estimates

Notes:

(P) - denotes projected figures; the Storm

(P) - GDP growth projections are from the World Economic Outlook, October 2015. Dominica's projection has been revised.

/1 - ECCB and IADB staff estimates for 2014



## OECS Selected Indicators

	St. Kitts and Nevis				St. Lucia				St. Vincent and the Grenadines			
	2012	2013	2014	2015 (P)	2012	2013	2014	2015 (P)	2012	2013	2014	2015 (P)
<b>Real Sector</b>												
Real GDP (% change)	(1.2)	5.8	6.9	5.0	(1.1)	0.1	0.5	1.8	1.4	1.7	0.6	2.1
Nominal GDP (% change)	0.5	5.8	8.7	5.8	1.0	2.5	1.0	4.0	2.5	2.3	3.7	3.1
Inflation (end of period)	0.1	0.4	2.0	2.0	5.0	0.7	1.7	3.1	1.1	-	0.6	0.1
<b>External Sector</b>												
Exports of goods and services (% change)	-	-	12.1	3.1	(3.9)	(0.7)	3.2	8.8	1.4	(1.1)	4.6	6.6
Imports of goods and services (% change)	(3.8)	7.7	17.8	6.8	(8.5)	(0.7)	2.4	13.2	7.1	6.6	1.3	12.0
Current account (% of GDP)	(9.8)	(6.7)	(10.7)	(16.2)	(13.5)	(12.8)	(12.4)	(13.4)	(27.5)	(31.3)	(29.4)	(27.6)
International reserves (USD millions)/1	263.5	302.0	329.1	N/A	###	###	259.1	N/A	111.0	135.1	158.1	N/A
International reserves cover (weeks)/1	8.4	9.1	9.8	N/A	3.4	3.1	4.4	N/A	3.2	3.7	4.6	N/A
<b>Public Sector</b>												
Total revenue (% of GDP)	42.6	47.0	43.1	N/A	23.9	24.6	26.5	N/A	27.0	26.9	27.5	N/A
Current expenditure (% of GDP)	27.7	26.7	26.9	N/A	23.5	23.6	23.6	N/A	26.1	25.3	25.6	N/A
Capital expenditure (% of GDP)	3.7	6.7	5.8	N/A	6.9	7.7	6.0	N/A	2.9	7.8	5.7	N/A
Central government primary balance (% of GDP)	17.2	17.3	13.7	N/A	(3.0)	(3.0)	0.8	N/A	0.3	(3.7)	(1.5)	N/A
Central government overall balance (% of GDP)	11.3	13.5	10.4	N/A	(6.5)	(6.7)	(3.1)	N/A	(2.1)	(6.2)	(3.8)	N/A
<b>Debt Indicators</b>												
General government debt (% of GDP)	137.9	99.5	75.1	N/A	73.7	76.5	76.3	N/A	72.8	75.9	80.1	N/A

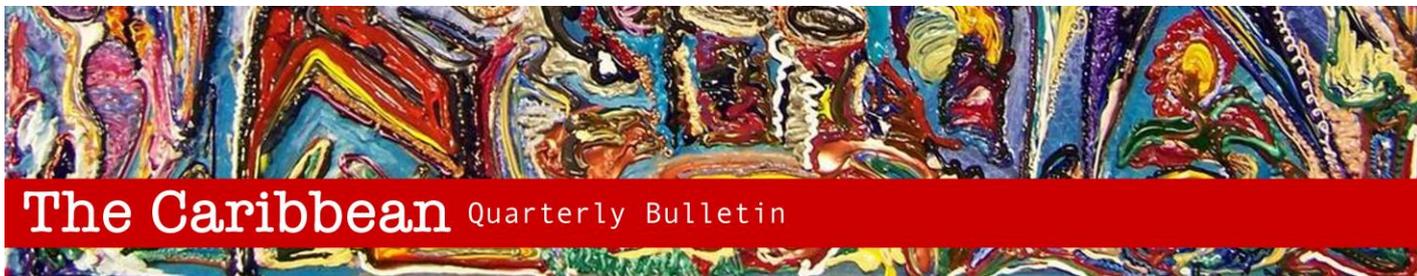
Source: Eastern Caribbean Central Bank and IADB Staff estimates

Notes:

(P) - denotes projected figures; the Storm

(P) - GDP growth projections are from the World Economic Outlook, October 2015. Dominica's projection has been revised.

/1 - ECCB and IADB staff estimates for 2014



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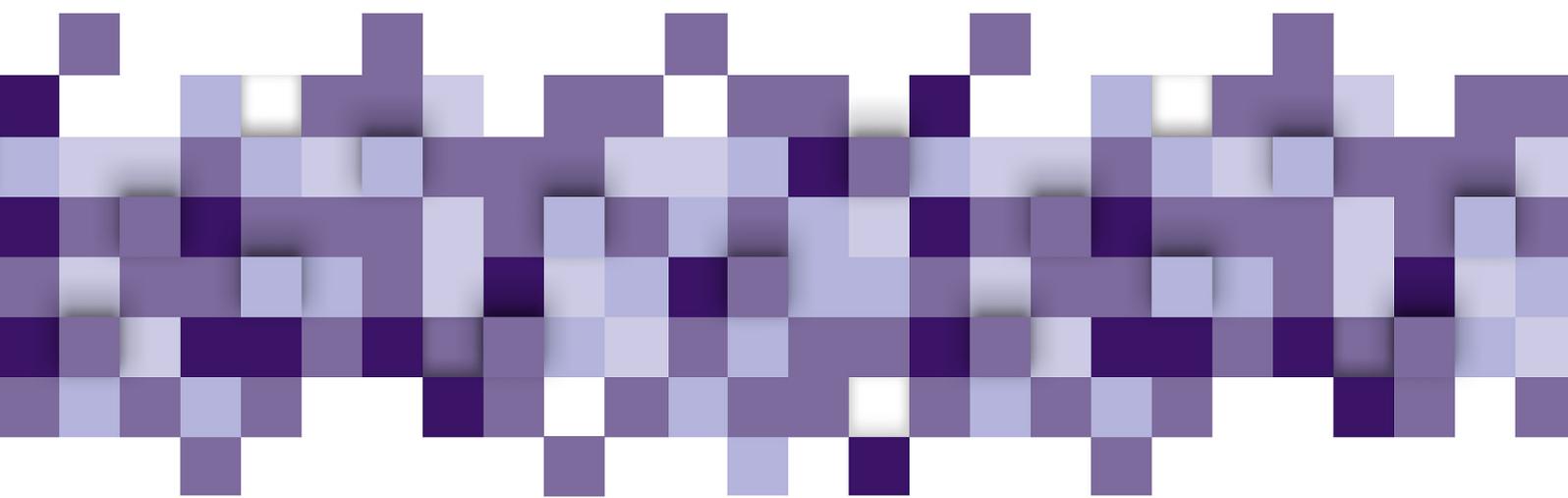


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