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THE INTER-AMERICAN INVESTMENT CORPORATION

IDB GROUP COUNTRY STRATEGY
WITH
THE COMMONWEALTH OF THE BAHAMAS
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Acronyms and Abbreviations

CARICOM	Caribbean Common Market
CCB	Country Department Caribbean Group
CCF	Contingent Credit Facility
CCLIPP	Conditional Credit Line for Investment Project
CDB	Caribbean Development Bank
CDC	Country Development Challenges
COVID-19	Novel Coronavirus Disease 2019
CS	Country Strategy
ECLAC	United Nations Economic Commission for Latin America
FRA	Fiscal Responsibility Act
FY	Fiscal year
GDP	Gross domestic product
GOBH	Government of The Bahamas
HDI	Human Development Index
ICPR	Independent Country Program Review
ICT	Information, communications, and technology
IDB Lab	Innovation Laboratory of the IDB Group (formerly the Multilateral Investment Fund)
IFPG	Innovation Firm Performance Gender Survey
iGOPP	Index of Governance and Public Policy in Disaster Risk Management
IMF	International Monetary Fund
MSMEs	Micro, small, and medium-sized enterprises
NCB	Nationally competitive bidding
NCD	Non-communicable disease
NDC	Nationally determined contribution
NIB	National Insurance Board
OECD	Organisation for Economic Co-operation and Development
ORP	Office of Outreach and Partnerships
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PBG	Policy-based guarantee
PBP	Policy-based program
PHA	Public Hospitals Authority
PMDU	Prime Minister's Delivery Unit
PMR	Project Monitoring Report
PPF	Project Preparation Facility
PPO	Principal Payment Option
PPP	Public-private partnership
SAI-PMF	Supreme Audit Institutions' Performance Measurement Framework
SG	Sovereign guaranteed
SME	Small and medium-sized enterprise
TC	Technical Cooperation
UNICEF	United Nations Children's Fund

EXECUTIVE SUMMARY

Socioeconomic Context

The Bahamas, an archipelago of 700+ islands, is a high-income but also a high-vulnerability and high-inequality small island developing state. Although per capita income ranks 2nd in the LAC region (at PPP dollars 42,023 in 2022), as a small, open economy with a narrow production base, the country is highly vulnerable to external shocks, as well as to natural disasters and climate change (as evidenced by 4 major hurricanes in the 8 years prior to the pandemic). The COVID-19 shock impacted tourism —the main engine of economic growth— strongly unleashing a deep recession in 2020. As tourist visits rebounded strongly with the resumption of unrestricted travel since 2021, GDP has now recovered from the worst recession in the country's history, with the outlook that tourist arrivals will continue growing from the peak levels reached in 2023. One legacy of the successive shocks is a higher debt-to-GDP ratio; thus, a near-term challenge is to continue fiscal consolidation efforts by setting the debt ratio on a steady trajectory toward the 50 percent limit established in the FRA. Low productivity growth is a long-term challenge, so the government is committed to improving the business climate to unleash investment in new sectors. Energy transition and digitalization are important in meeting this challenge. To ensure that growth is resilient to external shocks and natural disasters, the country needs to strengthen the blue economy investment opportunities and implement the legal mandates of the Disaster Risk Management Act, enacted by end-2022, which seeks to strengthen its disaster risk management framework. The country also shows inequalities in different dimensions. These can be classified as: (i) *between* island inequalities (mostly between New Providence and the Family Islands) not only in terms of income, but also in infrastructure, employment opportunities and access to health and education services and (ii) *within* island inequalities, also in terms of income, but mostly in access to health and education services. Thus, to ensure that growth is broad-based and inclusive, the country needs to increase human capital investment for skill development, access to finance, and access to affordable, resilient and quality infrastructure across the archipelago. Closing gender gaps is another important focus area to reduce inequalities while reducing the incidence of domestic violence, fostering non-violent conflict resolution, increasing the employability of the at-risk youth population, and strengthening institutional capabilities of justice services will improve citizen security

The IDB Group in The Bahamas

The IDB Group (IDBG) holds the largest share of The Bahamas' multilateral public debt (about 60 percent as of end-2021) and is an important source of technical assistance. The 2018–2022 Country Strategy (CS) prioritized three strategic areas: enhancing public sector effectiveness; supporting resilient infrastructure for growth; and fostering an enabling environment for private sector competitiveness. The IDB Group approved sovereign-guaranteed (SG) financing totaling US\$835 million, of which US\$200 million was in the form of a policy-based guarantee. SG approvals were mainly in the areas of public sector strengthening, infrastructure, the business climate, and health (COVID-19-related). Total loan disbursements during the period amounted to US\$555.85 million. Over the same period, IDB Invest approved three lending operations for a total of US\$42.2 million and provided five advisory services for a total of US\$262,700, while IDB Lab approved five operations valued at US\$3.8 million. These operations focused on opportunities to increase the productivity and competitiveness of the private sector via science and technology, digital and technical skill development, blue economy/climate tech, health, renewable energy, and technical support to small and medium-size enterprises.

Strategic Areas 2024–2028	<p>The new IDB Group’s Country Strategy (CS) 2024–2028 aims to further build resiliency and to fully support the government’s Blueprint for Change and National Development Plan to achieve inclusive and sustainable development. The IDB Group will work with the private and public sectors to improve the fiscal situation, enhance the business climate for private sector competitiveness and innovation, and bolster disaster risk management and resilience. The new CS will support four strategic areas of engagement: (i) disaster risk management, (ii) strengthen public sector governance; (iii) boost private sector competitiveness; and (iv) human development and citizen security. These areas will be addressed taking into consideration the cross-cutting areas of gender and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. The CS is aligned with the Caribbean regional program “ONE Caribbean: Partnering for Caribbean Development”. The new CS will build on recent innovations in the country program that have strengthened the IDB Group’s client focus, deployed new financial instruments, enhanced technical assistance, and developed a greater focus on potential public private partnerships. The IDB Group also plans to further strengthen donor coordination and mobilization as well as synergies across the group.</p>
Indicative Lending Framework	<p>In addition to resources for private sector projects to be contributed via IDB Invest and IDB Lab, the IDB foresees SG approvals totaling US\$850 million over 2024–2028. Expected disbursements over the five-year period are US\$480 million, with a projected average annual netflows of US\$52 million, including from the existing portfolio. Expected annual average approvals over the period amount to US\$170 million. Under these assumptions, The Bahamas’ debt with the IDB would represent 7.08 percent of total public debt at the end of the period, compared to 5.80 percent at end-2022.</p>
Risks	<p>There are four main risks to this strategy: (i) weather events, exacerbated by climate change; (ii) execution capacity, common to small island states; (iii) fiscal constraints; and (iv) market fluctuations in the demand for private sector financing. Regarding the latter, demand may be affected by the Bank’s environmental and social safeguards. An additional short-term risk is the current turbulence in global commodity markets – given The Bahamas’ dependence on food and fuel imports – as well as ongoing interest rate adjustments in global capital markets. Fiscal adjustment strategies may be further complicated by these external shocks.</p>

I. SOCIOECONOMIC CONTEXT¹

- 1.1 **The Bahamas is a high-income, but high-vulnerability and high-inequality” small island developing state.** The geography of The Bahamas poses a developmental challenge, as the country consists of an archipelago with 700 islands, of which around 30 are inhabited, with a small population (~390,000 inhabitants), and the country is highly exposed to natural hazards. It is a service-based and small, open economy, highly dependent on tourism. It is a high-income country and is the richest borrowing member of the Inter-American Development Bank (IDB), with a Gross Domestic Product (GDP) per capita in purchasing power parity (PPP) valuation of US\$42,023 in 2022. However, its limited economic diversification, high dependency on imports and high public debt levels, leaves the country vulnerable to economic shocks. Inequality is high, with an estimated Gini coefficient of 0.57. Inequality is also related to the country’s geography, in that residents of sparsely populated remote islands face limitations in access to services and economic opportunities.
- 1.2 **Weak economic performance in the past decade was exacerbated by the COVID-19 pandemic and the impact of Hurricane Dorian.** As The Bahamas is a tourism-dependent economy, the health shock deeply impacted livelihoods as well as lives. Real GDP shrank by 23.5 percent in 2020, after growing an average of 1.1 percent per annum between 2010 and 2019. Persistent fiscal deficits led to a public debt buildup that reached 105 percent of GDP at the end of FY2020/2021,² compared to 20 years ago, when the debt-to-GDP ratio was low and manageable at 25 percent. Although international reserves are currently elevated, the current account deficit deepened to 14 percent of GDP in 2022.
- 1.3 **Overall, the macroeconomic situation of The Bahamas is at a critical juncture.** Although the tourism sector rebounded strongly in 2022 and 2023 is exhibiting a tourism boom, there are external headwinds as major central banks raise interest rates and key global economies experience slower growth.
- 1.4 **The Bahamas continues to be vulnerable to external shocks, including from natural disasters and climate change.** Its economy is one of the most tourism-dependent economies in the world, based on the IDB’s Tourism Dependency Index ([Mooney et al. 2020](#)). From 2015–2019, tourism accounted for an average of about 41 percent of GDP (when counting the sector’s direct and indirect contributions), about 48 percent of total employment, and about 78 percent of total exports. Similarly, the economy is vulnerable to the effects of natural disasters,³ which have devastated productive activities and both public and private infrastructure in the past. In September 2019, Hurricane Dorian hit Grand Bahama and the Abaco Islands, causing damage to physical infrastructure estimated at 18 percent of GDP, and impacting human lives, with 74 fatalities.⁴ Hurricane Dorian also revealed a lack of resiliency and diversification of the energy matrix, causing

¹ The Country Strategy with The Bahamas will be in effect from its approval date until December 31, 2028.

² The fiscal year runs from July 1 to June 30 in The Bahamas.

³ The Disaster Risk Management Act of 2022 was enacted by the Parliament of The Commonwealth of The Bahamas in December 2022. The act will provide the legal basis for effective implementation of the public policy required to improve The Bahamas’ resilience to disasters and climate change. The act puts The Bahamas at the vanguard of the Caribbean in disaster risk management governance terms, also setting an example for Latin American countries.

⁴ The direct physical damage of Hurricane Dorian is estimated at 18 percent of GDP and the impact on lowering GDP is estimated at 1 percentage point, according to ECLAC-IDB (2020). The official death toll was 74, while an additional 245 people were reported missing.

extensive damage to power generation, transmission, and distribution networks. Since 2000, 15 tropical cyclones have caused over 400 deaths and cumulative damage worth at least US\$6 billion, equivalent to almost 50 percent of 2019 GDP (EM-DAT 2021). In the future, coastal flooding and extreme winds may cause at least US\$200 million and \$160 million in damages annually, respectively (IDB 2020). Given that The Bahamas is particularly exposed and vulnerable to the dangers of natural disasters and the negative impacts of climate change, enhancing the tools to mitigate and adapt to climate change, manage disaster risk, and build resilience is critical to achieving sustainable growth. The Government of The Bahamas (GOBH) is committed to building resiliency and lowering its vulnerability to climate-related financial stability risks.

- 1.5 **One legacy of this series of economic shocks is a higher public-debt-to-GDP ratio. Consequently, fiscal consolidation takes a central role in economic policymaking.** With the public-debt-to-GDP ratio currently above 80 percent, fiscal consolidation is much needed, and the process has already begun as the economy recovers. The fiscal deficit has been narrowing considerably, from 13.6 percent in FY2020/2021 to 5.8 percent in 2021/2022, to 3.8 in FY2022/2023. While economic growth played an important role, there were numerous improvements in fiscal policy and fiscal institutions. The Public Debt Management Act enacted in 2021, and the Public Procurement Act that was to enter into effect on July 1, 2023, will help adopt international best practices for transparency and accountability. The recently established Revenue Enhancement Unit seeks to reduce tax avoidance, and the complementary Revenue Policy Committee is studying other ways to increase revenues. With these innovations, the government aims to raise the revenue-to-GDP ratio to 25 percent by FY2026/2027, compared to 18 percent of GDP prior to the COVID-19 pandemic. In addition to important efforts to revalue properties for tax purposes and reduce evasion of all existing taxes, the government recently issued a “green paper” outlining options for introducing a corporate income tax, along with a reform of the existing business license tax. The business license tax functions as a gross receipts tax for larger companies, and the corporate income tax would be more economically efficient. The corporate income tax proposal is also presented in response to the international agreement on minimum corporate income taxation led by the Organization for Economic Co-operation (OECD). The Fiscal Responsibility Act enacted in 2018 introduced rules to guide fiscal policymaking, including a ceiling on government debt set at 50 percent of GDP. During the recession, the target year to achieve that objective was delayed until FY2030/2031.
- 1.6 **Poverty and inequality probably increased during the pandemic, but detailed representative data are limited.** The Bahamas is in the very high human development category on the multidimensional 2021 Human Development Index (HDI), ranking 55th out of 189 countries. However, the pandemic has taken a toll on social outcomes. The unemployment rate spiked to 25.6 percent in 2020. Following the 2008 global financial crisis, unemployment increased from below 10 percent to around 15 percent, but during the five years prior to the pandemic, it followed a downward path, declining to 10.1 percent in 2019. However, the pandemic severely hit the tourism and construction sectors, which directly employ 17 percent and 8 percent of the population, respectively.⁵ Community, social, and personal services, which account for 39 percent of employment and

⁵ The breakdown of employment by sector corresponds to the May 2023 Labor Force Survey published by the Department of Statistics. The unemployment figure for 2020 corresponds to the International Monetary Fund estimate, based on International Labor Organization simulations.

disproportionately employ women, were also deeply impacted.⁶ Currently, as the economy benefits from the tourism boom, the unemployment rate has decreased to 8.8%, the lowest rate in 15 years. During the pandemic, the IDB and Cornell University conducted an online survey that showed that 72.5 percent of households reported an income loss in April 2020 resulting from employment loss, business closures, and loss of rental income.⁷ Educational attainment has also been hampered by disruptions driven by the switch to online teaching and unequal access to devices as well as support.⁸ The impact has been disproportionate, affecting lower-income households more severely. Inadequate updated poverty measures and household surveys covering household expenses and incomes remains a challenge, as the latest household expenditure survey was conducted in 2013. Illegal immigration from nearby countries (mostly Haiti and Cuba) is also a complex humanitarian challenge that adds stress on infrastructure and the provision of public services.

- 1.7 **Total factor productivity in the Bahamas has been declining for the last two decades.**⁹ The slow long-run growth rates that have persisted over the period have been characterized mostly by capital accumulation. Improvements in the business climate and human capital could help attract productivity-enhancing investments in the traditional tourism sector, expand linkages with the rest of the economy, and explore investment in new higher-productivity sectors. Firm-level surveys conducted during the pandemic revealed that respondents' most preeminent concerns were access to land, tax rates (despite being lower than in other jurisdictions), customs and trade regulations, electricity costs, and crime and theft.¹⁰
- 1.8 **Institutional capacity could stand to be strengthened in The Bahamas. Although the country scores high on world governance indicators, its scores have declined over the last two decades.** The Bahamas scores above Latin America and Caribbean averages on all of the World Bank's key Worldwide Governance Indicators, and it scores on a par with non-OECD high-income countries, with two key exceptions: regulatory quality and the rule of law. Those are precisely the two areas that have deteriorated the most over the last two decades.
- 1.9 **The GOBH Blueprint for Change 10-Point Plan and the National Development Plan provide a comprehensive vision for a sustainable and inclusive recovery.** The Blueprint outlines the government's short- and medium-term plans, while the National Development Plan supports long-term plans.¹¹ The Blueprint for Change speaks directly to immediate plans to stabilize the country post-pandemic, build climate resilience, and empower the Bahamian people. The National Development Plan (NDP) is a

⁶ In May 2019, 43 percent of employed females and 28 percent of employed males corresponded to the community, social, and personal services sector.

⁷ Loss of income from job losses and business closures affected lower-income households more severely (those earning below the minimum wage), while loss of rental income was more prevalent among high-income households (those earning more than four times the minimum wage). See Arteaga et al. (2020).

⁸ The Minister of Education [stated](#) in November 2020 that participation in virtual learning was around 70 percent and that the remaining 30 percent of students were at risk of repeating courses. The number of students who took the Bahamas General Certificate of Secondary Education examinations dropped from 6,454 in 2019 to 6,073 in 2020, and further decreased to 5,159 in 2021.

⁹ See the factors of growth analysis conducted for the Country Development Challenges Update.

¹⁰ Data from the Innovation, Firm Performance and Gender Issues (IFPG) surveys conducted by the Compete Caribbean partnership. Data are available online at competecaribbean.org.

¹¹ See [The National Development Plan of The Bahamas, Vision 2040](#).

comprehensive plan developed from a broad consultative process and has laid the foundation for the future direction of the country. Based on consultations with government, civil society, and private sector the Bank should support the completion, ratification, implementation, and monitoring of the NDP. The NDP will provide clear guidance on the long-term socio-economic development goals of the country and would provide measurements of impact.

- 1.10 **As the tourism-fueled economic recovery continues, a key challenge is to bring economic prosperity to all the disperse territory of The Bahamas and to all Bahamians across the archipelago.** Gender disparities remain a challenge: The Bahamas ranks below all other countries on the 2021 Global Gender Gap Index.¹² There are geographic disparities as well. For example, educational attainment is higher in New Providence and Grand Bahama than it is in the Family Islands. Finally, it is worrisome that more recent household survey data are not available to guide policymaking to address the needs of the most vulnerable segments of society.

II. THE IDB GROUP IN THE BAHAMAS

A. Country Strategy and Portfolio

- 2.1 **The IDB's 2018–2022 Country Strategy with The Bahamas sought to support the GOBH's efforts to improve productivity by encouraging innovation and efficiency, which would increase output levels and spur private-sector-led economic growth.** To that end, IDB Group support focused on the following priority areas: (i) enhancing public sector effectiveness, with an emphasis on strengthening public sector management, transparency, and integrity; (ii) supporting resilient infrastructure for growth, with a focus on air and maritime connectivity, urban planning and mobility, water, and energy; and (iii) fostering an enabling environment for private sector competitiveness, with an emphasis on improving the ease of doing business, innovation, and access to finance. IDB Invest and IDB Lab participation envisaged alignment with the development and diversification of the private sector, as well as taking advantage of synergies among the interventions.
- 2.2 **The estimated lending envelope of the CS was US\$150 million in sovereign guaranteed (SG) lending over the CS period, with an average of US\$30 million per year.** During the CS period from March 2018 to March 2022, the Bank approved more than five times the initial lending envelope, with a total of US\$835 million in SG loans: six investment loans for US\$295 million, two policy-based loans (programmatic -PBLs) for US\$340 million, and one policy-based guarantee (PBG) for US\$200 million. Importantly, the Bank has provided new and innovative lending instruments in the form of a Contingent Credit Facility (CCF), the PBG, several oil hedge agreements, and the Principal Payment Option (PPO) in applicable outstanding IDB loans. SG lending is aligned with the CS priority areas. In addition, two investment grants for US\$14.6 million, and 16 technical cooperation (TC) operations for US\$4.9 million, were also approved during the period. Non-sovereign guarantee lending from IDB Invest amounted to US\$42.2 million for three operations in telecommunications and energy. Additionally, IDB Invest provided five

¹² The Bahamas was not included in the 2022 report. The other CCB Caribbean countries are those that are the other members of the IDB's Caribbean Department: Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

advisory services for a total of US\$262,700 in the areas of renewable energy, gender and diversity, resilience, water, small and medium-sized enterprises (SMEs), and value chains. IDB Lab approved five operations for a total of US\$3.8 million to promote private sector competitiveness, the blue economy, and skills and market development of nature-based industries.

- 2.3 **Active Portfolio.** The active portfolio has an average age of 3.4 years and consists of 11 SG operations for US\$598 million with an undisbursed balance of US\$420.37 million. This includes one PBG with an undisbursed balance of US\$200 million and 10 investment loan operations with an undisbursed balance of US\$237.37 million. The investment loan portfolio covers the sectors of citizen security and justice, public financial management, climate-resilient infrastructure, digital transformation, renewable energy, health sector strengthening, and disaster risk management. The IDB Invest portfolio consists of one energy loan in the amount of US\$12.2 million. The IDB Lab active portfolio consists of four TCs for US\$2 million with an undisbursed balance of US\$1 million. The higher level of borrowing from the IDB in recent years, with only limited access to other MDBs, has allowed the government to lower the fiscal cost of its external debt burden.
- 2.4 **The IDB is the preferred development partner of The Bahamas.** Despite being a high-income country, important development changes in the form of high climate-change vulnerabilities and high social, economic, and geographic disparities remain. The Bank is the largest lender and has a pivotal role in continuing its supporting to the country's objective of building resilience in an integral and sustainable manner. With an average annual income of \$38,832 PPP dollars, the archipelago of over 700 islands and a small population, has the highest level of inequality in the region (with a Gini coefficient of 0.57 according ECLAC). The country also struggles with high structural unemployment and overconcentration of industry in New Providence¹³. At the same time, The Bahamas is highly vulnerable to climate change and natural disasters, as it ranks 112 out of 189 in Notre Dame's Global Adaptation Initiative (ND-GAIN) Index scores in 2021¹⁴. Despite application of traditional policy solutions (conditional cash transfers, minimum wage raises, investment in health and education, etc.) disparities have not been corrected, particularly between New Providence and the family islands. Moreover, these problems were exacerbated during Hurricane Dorian and the COVID pandemic¹⁵. To many, the application of a Universal Basic Income (UBI) would help address existing disparities. Further analysis should be devoted to this assessment. The Bank will continue to accompany these efforts, and the Bank's role in policy reforms is particularly relevant given capacity constraints of a small state. For example, technical analysis by the Bank was critical to the design of reforms to the disaster risk management legislation that was enacted last year. Similarly, the Bank's diagnostic of debt management systems is key to ongoing institutional reforms in that area.

¹³ For a description of Bahamas GDP by island, see [this note](#) from BNSI.

¹⁴ The ND-Gain index evaluates a "country's exposure, sensitivity, and ability to adapt to the negative impact of climate change."

¹⁵ 72.5% of households reported a reduction of income in April 2020, resulting from employment loss, business closures and loss of rental income. For more details and a cross-country comparison in the CCB region, see: Arteaga et al. (2020).

B. Key Outcomes of the IDB's 2018–2022 Country Strategy with The Bahamas

- 2.5 **To support resilient infrastructure for growth, the IDB provided financing to The Bahamas for reconstruction, building resiliency, and protecting natural resources.** Six loans and six TCs in the areas of natural disaster management, climate-resilient infrastructure, airport infrastructure, and health infrastructure supported this key objective.
- 2.6 **With the approval of the CCF,¹⁶ the Bank was able to quickly support the country following Hurricane Dorian.¹⁷** The Contingent Loan for Natural Disasters Emergencies (BH-O0003) for US\$100 million provided a source of quick liquidity (with US\$80 million disbursed under BH-L1049) to help the country recover and rebuild, and to finance the response to the hurricane. In addition, the Bank supported the management of natural disaster risk with several TCs and key knowledge products. In particular, the Preparedness, Recovery and Reconstruction Team (P2R-CT) established through BH-T1094 supports the implementation of activities related to all instruments for health and natural disaster management in mitigation, preparedness, recovery, and reconstruction. Furthermore, the Bank approved a Conditional Credit Line for Investment Project (CCLIP) and the first loan for US\$80 million to advance the deployment of renewable energy in the country following the devastation of the hurricane.^{18,19} The loan supported rehabilitation and reconstruction of critical energy infrastructure and restoration of electricity services, along with the introduction of renewable energy, mainly on Abaco and Grand Bahama, affected by Dorian. The project has been able to strengthen the existing grid with resilient materials that can withstand the severity of extreme weather events. It includes rehabilitation of Abaco's transmission and distribution system and rebuilding of the electrical grid; installation of battery energy storage capacity and solar rooftop photovoltaic units in key buildings on New Providence; and complete technical and economic feasibility studies in North Andros. The energy loan has contributed to the GOBH's goal of establishing a minimum reliance level for renewable energy of 30 percent and ensuring a reliable source of affordable and sustainable energy, as well as reduced reliance on fossil fuels. To complement these efforts, IDB Invest is supporting a private utility to increase the installed capacity of private-owned energy generation in The Bahamas by adding 9.5MW of new solar photovoltaic energy that will produce approximately 16.75GWh/year of energy and help displace an average of 10,654 tCO₂ per year. IDB Invest's involvement contributes to environmental and social performance, as well as to the mitigation of governance risks. The project also includes technical assistance to enable the project to implement a gender and diversity program in the form of a recruitment and retention strategy for women in jobs at the construction site.
- 2.7 **To further support building climate resilient infrastructure, the Bank approved the Airport Infrastructure Program (BH-L1041) and the Climate Resilient Coastal Infrastructure Management Program (BH-L1043), each for US\$35 million each.** The Airport Infrastructure project aims to contribute to the sustainable integration and smooth

¹⁶ Contingent Loan for Natural Disaster Emergencies (BH-O0003), for US\$100 million

¹⁷ In addition, the Bank provided an emergency donation of US\$200,000 through the TC BH-T1074.

¹⁸ Studies prepared included: [Assessment of the Effects and Impacts of Hurricane Matthew](#); [Assessment of the Effects and Impacts Caused by Hurricane Irma](#); [Assessment of the Effect and Impacts of Hurricane Dorian](#); [International Good Practices and Lessons in Post Disaster Reconstruction in The Bahamas](#); [The Macro-Economic Effects of Hurricanes in The Bahamas: A Case Study Using Satellite Night Light Luminosity](#); [IDB Damage and Loss Assessment \(DaLa\): Synthesis: Joaquin, Matthew, Irma and Dorian](#); [Assessment of the Effects and Impacts of the COVID-19 Pandemic](#).

¹⁹ The CCLIP operation Advancing Renewable Energy in The Bahamas (BH-O0006) for US\$170 million, and Reconstruction with Resilience in the Energy Sector in The Bahamas (BH-L1048) for US\$80 million

flow of people of the Family islands into the national and regional economy through infrastructure improvements and climate change resilience. Technical design works are completed, and works have begun on one airport, while design works are in progress for the others, with works slated to begin in 2024. The Climate Resilient Coastal Infrastructure Management Program aims to build climate resilience to coastal risks through sustainable coastal protection infrastructure (including nature-based solutions) and institutional strengthening necessary for Integrated Coastal Zone Management (ICZM) in The Bahamas. The project area includes Nassau (Junkanoo Beach), Andros Island, East Grand Bahama, and Central Long Island. Various baseline studies and infrastructure design work are under way for this project, and construction (including mangrove restoration) will begin soon. Also, a Coastal Protection Unit was established within the Ministry of Public Works through this project to ensure sustainable management of coastal areas into the future.

- 2.8 **To support resilient health infrastructure, two loans were approved to combat the COVID-19 pandemic and strengthen healthcare systems.** The Program to Support the Health Sector to Contain and Control Coronavirus and to Mitigate Its Effects in Service Provision (BH-L1055) helped The Bahamas respond to the pandemic by improving case detection and monitoring and supporting initiatives to break the illness transmission chain and improve service delivery. It helped reinforce the capacity of laboratories to diagnose COVID-19, develop a vaccine deployment plan for prioritized groups, finance the purchase of vaccines, strengthen epidemiological surveillance at entry points, and support the continuity of essential care services during the emergency. Implementation of the second health loan, the Programme to Support the Health System Strengthening of The Bahamas (BH-L1053), began in 2021 and was modified in 2022 to include a complementary investment grant financed by the European Union (BH-G0004). Together, these operations integrate a program that supports the integration of the healthcare sector to increase access to and the quality of care for the population. It also introduces a care model for domestic violence victims. In addition, the program is financing the construction of nine new health centers, the retrofitting of nine others, the National Reference Laboratory, and the purchase of medical equipment. Finally, the program is funding the introduction of digital health information systems across 54 clinics, which will directly benefit 157,000 persons or 40 percent of the Bahamian population.
- 2.9 **Three loans and four TCs positively contributed to the CS objective to enhance public sector effectiveness.** To support the strategic objectives of strengthening institutional capacity for digital government and the framework for integrity and transparency in the public sector, the Bank approved several key operations. The Digital Transformation of Government for Competitiveness Program (BH-L1045) has enabled The Bahamas to enhance competitiveness by reducing the cost of doing business with the government. Through this program, the government has implemented a one-stop-shop website and portal, MyGateway, launched over 45 government services online to increase access. The program has also trained over 500 public servants for the MyGateway portal, simplified over 70 government procedures online, operationalized 150 web services from 10 entities using the platform, set up four corporations and nonprofit procedures available online, and prepared legal instruments that support government digital services online. The Public Financial Management and Performance Monitoring Reform Program (BH-L1035) has played a key role in supporting the government's efforts to increase its capacity to allocate, manage, and monitor public resources. The loan has supported the creation of a national statistical system to increase access to reliable and timely data through information and communications technology (ICT) enhancements and upgrades to The Bahamas National Statistical Institute,

implementation of the government e-procurement system, strengthening of the public service insurance audit, and implementation of a human resources management information system. To enhance public security, the Citizen Security and Justice Program (BH-L1033) has played a key role in (i) improving behaviors for non-violent conflict resolution in New Providence; (ii) increasing the employability of the at-risk youth population in New Providence; (iii) strengthening institutional capabilities of justice services; and (iv) reducing the recidivism rate among persons within the prison system. The project has refurbished three youth and community centers; trained 327 community members in parenting and conflict resolution as well as 337 community members in sexual assault prevention; provided job training to 752 at-risk youth, with certification in hospitality, technical, and vocational trades; and refurbished three Public Employment Service offices and trained staff in labor market analysis and job placement support. The operation financed implementation of an electronic court recording and jury summons system; refurbishment and upgrading of the Main Supreme Court; and digitalization of more than 2 million distinct court records. In an effort to reduce the recidivism rate, the project contributed to the hiring of a vocational educational service provider that administered instruction and certification to qualified inmates and officers at the Bahamas Department of Correctional Services. The recidivism rate was reduced from 24 percent in 2013 to 12 percent in 2021, a 50 percent decline.

- 2.10 **To support the strategic objective to foster an enabling environment for private sector competitiveness, which aims to help the GOBH strengthen the economy, a programmatic PBL series, a PBG and an investment loan were approved.** The programmatic PBLs,²⁰ were approved during the CS period to promote resilient, inclusive, and environmentally sustainable economic growth, particularly in the blue economy, including support to micro, small and medium enterprises (MSMEs) for business continuity. The PBG supported the government bond issuance in the international capital markets (US\$200 million) for building a social and inclusive blue economy in The Bahamas.²¹ The investment loan for US\$25 million supports access to finance for MSMEs by providing a credit enhancement facility.²² To date, eight financial institutions have signed on to the program and 33 clients have received funding, with an additional 641 clients benefiting from advisory services. In addition, The Bahamas is participating in the SEAF Caribbean SME Growth Fund, of which IDB Invest holds an equity investment. The objective of this fund is to contribute to the development of the Caribbean private equity investment ecosystem by providing risk capital to growth-oriented companies in the English-speaking countries of Caribbean Common Market (CARICOM). Such funding has become even scarcer due to the COVID-19 crisis.
- 2.11 **To support the response to the COVID-19 pandemic, the Bank aided the GOBH through a loan reformulation to support the tax credit and deferral program for the vulnerable population affected by COVID-19; a health loan, Support for the Health Sector to Contain and Control Coronavirus and to Mitigate Its Effect; and a TC valued at US\$40.3 million.**²³ The sectors that primarily benefited from these specific interventions were MSMEs in tourism and related services and the health system. At the end of 2021, 86 percent of the

²⁰ Boosting Resilient and Inclusive Growth in The Bahamas (BH-L1050) for US\$200 million; and Boosting Resilient and Inclusive Growth in The Bahamas II (BH-L1052) for US\$140 million.

²¹ Building a Social and Inclusive Blue Economy in The Bahamas (BH-U0001).

²² Credit Enhancement Program for Micro, Small and Medium Enterprises (BH-L1046).

²³ US\$20 million was disbursed under the reformulation of loan BH--L1037, Tax Credit and Tax Deferral Program to support vulnerable population affected by COVID-19; and US\$20 million was approved for a loan (BH-L1055) and a TC (BH-T1083) for US\$300.000.

portfolio achieved a satisfactory rating, while the remaining 14 percent was in alert status. The IDB worked closely with project executing units to re-plan based on current realities, as some teams suffered from downtime due to members contracting the COVID-19 virus and to the disruption in the worldwide commercial supply chain. Most face-to-face trainings/events were moved to virtual, which resulted in savings in most instances.

C. *Lessons Learned*

- 2.12 **Several key lessons have been learned through implementation of the Country Strategy.** First, the IDB Group should continue to support the government in pursuing fiscal consolidation and growth via a mix of instruments (financial support, guarantees, hedges, PBLs, and technical advisory and knowledge products). Second, given the unique challenges faced by the Family Islands, it is important that the IDB Group continue public and private interventions to improve public sector effectiveness, generate inclusive and resilient economic growth, and enhance competitiveness. Third, project design, particularly in infrastructure, must take into consideration the archipelago nature of the country, existing local regulations, and constraints to deliver complex projects on a standard five-year execution schedule. For example, the Airport Infrastructure Program (BH-L1041) and the Climate Resilient Coastal Infrastructure Management Program (BH-L1043) encountered significant execution delays because of inadequate project design. Fourth, to improve the institutional capacity to implement development projects, the IDB Group will need to work with relevant partners, including local academic institutions, to provide ample training and capacity-building opportunities for public and private sector stakeholders and civil society. Furthermore, the identification of project executing unit staff and improvement of their comprehensive skills in project management, procurement principles, and IDB policies and procedures prior to project initiation could reduce the high level of transactional costs typically incurred throughout the project implementation cycle. As noted in the Independent County Program Review (ICPR), the Bank successfully reduced the time between project approval and eligibility by providing technical assistance for technical consultants during the project preparation phase, which significantly increased the readiness of projects for implementation. A longer initial execution period may be more realistic for complex projects when intra-government coordination is needed. Fifth, the limited presence of sector specialists on the ground can also play a critical role in reducing the length and overall cost of implementation. Regarding private sector operations, resources dedicated to upstream work and project preparation are a critical component to build capacity and prepare a pipeline of bankable projects and supports strategic priorities such as gender and diversity objectives, and adaptation to climate change.
- 2.13 **Implementation of the new CS will address the challenges highlighted in the 2018–2022 ICPR in relation to slow project implementation and the low contribution of projects to achieving the CS strategic objectives.** Specifically, the ICPR found that projects did not progress enough to achieve results within the CS period because (i) the legacy project portfolio was still in the early stages of implementation in 2018, and (ii) most new operations were approved during the strategy's last three years, which is too short a period to achieve results. In addition, the strategy's objectives were too often relative to the size of the overall program. Over this CS period, the Bank will work in close coordination with the GOBH to address execution capacity challenges, by strengthening the capacity of project executing units, particularly in procurement and monitoring and evaluation. In addition, the new CS is more focused and targeted, with fewer strategic objectives and a clear vertical logic in the results matrix. The development challenges of the new CS will be supported by a country program that targets country needs and priorities with appropriate breadth and size.

III. STRATEGIC AREAS

- 3.1 **The IDB Group's 2024–2028 Country Strategy with The Bahamas will foster growth that is socially inclusive and sustainable.** Based on lessons learned from the previous CS, the ICPR findings, the Country Development Challenges Update, and the government's priorities, the new CS builds on the previous one by supporting four strategic areas of engagement: (i) disaster risk management; (ii) strengthening public sector governance; (iii) boosting private sector competitiveness; and (iv) human development and citizen security. In this sense, the CS was developed following the pillars of the Caribbean regional program "ONE Caribbean: Partnering for Caribbean Development" which focuses on climate adaptation, disaster risk management and resilience, citizen and business security, enhancing sustainable development through private sector engagement and food security. Cross-cutting issues related to (i) gender equality and diversity, (ii) climate change, (iii) institutional capacity and the rule of law will be mainstreamed into each of these areas. The new CS will build on recent innovations in the country program. These include a strengthened client focus, the deployment of new financial instruments, enhanced technical assistance, and a greater focus on the potential for public-private partnerships (PPP). The CS also takes into consideration the areas of support provided by other development partners. The IDB Group plans to further strengthen donor coordination and mobilization as well as synergies across the group and other development partners.
- 3.2 **The strategic interventions proposed in the new strategy are aligned with the government's Blueprint for Change 10-Point Plan and with the National Development Plan: Vision 2040.** The blueprint outlines a plan to recover, rebuild, and revolutionize the country post-COVID-19, and the strategic interventions focuses primarily on : (i) rescuing the economy, and (ii) commitment to sovereign wealth fund and natural resources (recently changed to a National Investment Fund) aligned with strengthening public sector governance; (iii) reconstruction and resiliency and (iv) Bahamian empowerment aligned with boosting private sector engagement; (v) compassionate social relief and strengthened security, (vi) revolution in education, and (viii) a healthy Bahamas aligned with protecting human development. The National Development Plan has four pillars: (1) Governance; (2) Human Capital; (3) Environment; and (4) Economy aligned with the areas of intervention.
- 3.3 **The priority areas and cross-cutting themes outlined in this section relate to the objectives of the Second Update of the Institutional Strategy 2020–2023, the IDB Invest Business Plan 2024, and the IDB Lab 2020–2022 Business Plan.** The areas and themes include (i) the establishment of smart institutional frameworks and enhanced capacity of the state; (ii) inclusion of all segments of the population in financial markets; (iii) developing quality human capital through lifelong skills development; (iv) providing adequate knowledge and innovation ecosystems by facilitating the use of technologies; (v) promoting gender equality and diversity; and (vi) addressing the economic and social impacts of climate change adaptation and mitigation. Additionally, IDB Lab's 2022–2023 Business Plan is aligned with the CS and focuses on the IDB Lab playing a key part in the recovery efforts, unleashing innovations that accelerate social inclusion and help activate new and more sustainable engines of growth. Priority will be given to projects that benefit poor and vulnerable populations directly by improving their livelihoods, facilitating their access to essential products and services, enhancing their skills and economic opportunities, and/or reducing their vulnerability to climate change. CS priorities are also aligned with the priority segments of the IDB Invest 2024 Business Plan to support infrastructure development, strengthen capacity to support the corporate segment, and leverage resources through the financial

system for the priority areas and cross-cutting themes, such as SMEs, gender and diversity, and climate change. These strategic areas are also aligned with key aspects of the IDB Invest New Vision and Business Model – for example, by providing upstream advisory services in coordination with other institutions of the IDB Group for enhanced private sector competitiveness, such as pre-investment support, client development, market creation and the improvement of the enabling environment for private investment, including PPPs, taking on more risks, and promoting mobilization.

A. *Disaster Risk Management*

- 3.4 **The experience of recent years highlights the need to enhance disaster and health risk management.** The Bahamas ranks 91st out of 192 countries on the Readiness to Climate Change Index and 112th out of 182 countries in vulnerability to climate change, based on the GDP-adjusted Notre Dame Global Adaptation Index (ND-Gain index) 2021 score. In both cases, The Bahamas increased its ranking in responding effectively to climate change, but more remains to be done. Vulnerabilities and limited readiness have had devastating consequences for The Bahamas. The limited resiliency of the energy matrix was revealed by Hurricane Dorian in 2019, which caused extensive damage to the power generation, transmission, and distribution networks. In the future, coastal flooding and extreme winds may cause at least US\$200 million and US\$160 million annually in damage, respectively (IDB 2020). Therefore, The Bahamas would benefit from further preparation given it is overexposed to the dangers of natural disasters and the negative impacts of climate change. Thus, disaster risk management (DRM) is essential for growing resiliently.
- 3.5 **The IDB is paving the road toward an agile DRM framework.** The IDB formed a pilot team Preparedness, Recovery and Reconstruction Country Team (P2RCT) for the coordination of DRM and HRM matters in The Bahamas. P2RCT is supporting the country as it improves its response and resilience to natural disasters and other disaster events with the potential to negatively impact the country's social and economic development. The objective of this non-reimbursable technical cooperation (BH-T1094) project is to support the continued strengthening of relevant government institutions capacity to achieve policies, strengthen governance and build a risk management framework that considers both disaster and health risks, to achieve an integrated and sustainable approach to strengthening the national response to disasters and health service delivery during crises in The Bahamas²⁴.
- 3.6 **To better assess and support the policy dialogue, the IDB, in cooperation with ECLAC, has conducted Damage and Loss Assessments (DaLA) following each event or disaster, measuring their economic, social, and environmental impacts on The Bahamas.** In addition, the Bank financed training workshops which focus on the methodology and tools necessary to assess the impacts of a disaster on the social, infrastructure and productive sectors. This is aligned with P2RCT's mission to enhance institutional capacities of external stakeholders. Moreover, the ability to carry out a sectoral estimation of the impacts of a disaster in terms of damage, losses and additional costs will enable countries to determine the resources needed to restore social and economic activities, as well as the investments required to ensure a resilient reconstruction process.

²⁴ In support of the GOBH's climate and disaster mitigation priorities, the IDB previously executed a technical cooperation geared towards capacity building for a more resilient Bahamas (BH-T1078) – financed by the Japanese Fund -to support efficient and effective recovery after Hurricane Dorian and the realization of resilient socio-economic development from climate hazard events.

- 3.7 **Building in resilience to natural disasters and deploying renewable energy technologies represent key elements of future infrastructure investment.** Nationally determined contributions (NDCs) were updated in 2022. The Bahamas intends to reduce greenhouse emissions by 30 percent by 2030 and achieve a minimum of 30 percent renewables in the energy mix. For the 2022 update, The Bahamas also committed to increasing the electric and hybrid shares of total vehicle sales to 35 percent and 15 percent, respectively, by 2030. Resilient planning, green-grey innovations (nature-based solutions), and choice of location and materials for infrastructure constitute the one way to reduce the risk of wasting resources from rebuilding costs following natural disasters. Renewable energy and energy efficiency are essential for meeting the government's NDC.
- 3.8 **The IDB Group's 2024–2028 Country Strategy will support the country's efforts to establish a disaster risk management framework focused on building resilience to natural disasters.** The CS will (i) support sustainable public finances and encourage private investment²⁵ that address both natural disaster risks and potential future health risks; (ii) strengthen the professionalization of DRM and HRM in The Bahamas through various mechanisms to build the human and technical capacity of institutions in country; (iii) enhance the inter-agency coordination and planning; (iv) facilitate education and policy planning to equip the whole community with knowledge, skills and abilities needed to empower people with the appropriate tools before, during and after disasters; and (v) change management at all levels to support the socialization of the new Disaster Management Act.

B. Strengthening Public Sector Governance

- 3.9 **Stabilizing public finances is critical to economic sustainability moving forward, and the ongoing economic recovery itself is helping.** The Bahamas is currently suffering the economic consequences of the global pandemic and the effects of a devastating hurricane. The public-debt-to-GDP ratio is over 80 percent, significantly above the proposed debt ceiling, and government revenues have significantly declined. Fiscal consolidation efforts over the last year have yielded positive results: the debt ratio has fallen below 100 percent and the fiscal deficit as a share of GDP is already halved, as the economic recovery builds momentum. Prior to the pandemic, the government enacted important reforms via fiscal responsibility legislation. Revisions to that legislation may be needed to facilitate timely and accurate compliance with procedural rules.
- 3.10 **The bank is supporting public finance reforms via a wide set of instruments (including PBGs, PPOs, among others).** On the revenue side, we will start exploring optimal natural resource taxation in the blue economy. Support on the spending side will be provided through the creation of a digital platform that will reduce the wage bill. A PEFA assessment will be prepared.
- 3.11 **Supporting public sector digital transformation is one way to lower transaction costs for the public to engage with government.** On the IDB's Global Broadband Development Index, The Bahamas ranked 43rd out of 65 countries, representing a decline with respect to

²⁵ One tool to be explored is the financial resiliency clause developed to address the reality of climate change and the challenge posed by different natural disasters (including droughts, floods, troughs, or fires). The clause could be an incentive for companies, and it is incorporated into the terms of a loan after the corresponding analysis has been conducted of the environmental impacts the beneficiary may be subject to and the extent to which its project anticipates them and considers mechanisms to mitigate them.

2018.²⁶ Notably, on the strategic regulation subindex, the country ranked 63rd. Since 2019, the government has made important advances in defining an ICT institutional framework to lead the planning and coordination of digital government activities. The government has prioritized ICT initiatives and is advancing the development of national strategies and legislation around cybersecurity, digitalization, and digital identity, as well as the formalization of a cross-governmental, strategic IT governance model to guide the country's endeavors in these areas. However, these activities are still in an incipient stage and require finalization, formal approval, and execution to deliver promised gains and to strengthen the required information-sharing among different government branches to deliver services more efficiently. Furthermore, the enabling regulatory framework and institutional capacity necessary should be in place.

- 3.12 **Digitalization is an important instrument to improve the efficiency of government services and revenue collection, but additional administrative and policy measures are necessary.** For example, trade and customs continues to be one of the key sources of government revenues. However, close to two-thirds of Bahamian firms participating in the Innovation Firm Performance Gender (IFPG) ²⁷ Survey conducted in 2020 answered that customs and trade regulations are a major obstacle to business operations. Although performance is likely to improve following the recent completion of the foreign trade single window, other agencies involved in export and import processes (e.g., sanitary, and phytosanitary clearance) lag behind with respect to digitalization and connectivity with the single window. With respect to the provision of public services, the pandemic has evidenced the need for connectivity, and the value of being able to provide public services digitally. As an example, registering property takes an average of 122 days. Bahamian firms participating in the IFPG survey reported on average that obtaining a construction-related permit took them 56 days, an operating license 21 days, and an import license 16 days. Insufficient investment in ICT-related projects has resulted in outdated or limited ICT infrastructure, with many government branches, particularly on smaller islands, lacking the equipment and connectivity for digital government. The country's unique geography and scattered population make a clear case for the need to use ICT in offering government services to other islands. In terms of tax administration, the government is undertaking important administrative reforms of the tax system. The IDB and the government worked together on a public expenditure review that proposed a variety of expenditure measures that could be implemented to improve both the efficiency and effectiveness of government spending.
- 3.13 **Improved management of government assets could both generate revenues and improve overall service delivery.** The Bahamas has 39 government corporations and statutory agencies, including the Water & Sewerage Corporation, the Bahamas Electricity Corporation, the National Insurance Board (NIB), and the Public Hospitals Authority (PHA).²⁸ Total transfers as a share of non-interest expenditure are close to 30 percent, far higher than the average for small high-income countries, which is around 20 percent. The providers of water and electricity charge rates that are below cost but, despite this, electricity prices are among the highest in the Caribbean. Insufficient maintenance and investment coupled with

²⁶ It is worth noting that The Bahamas ranked second among Caribbean countries, and seventh among Latin American and Caribbean countries. The index is constructed by analyzing multiple variables aggregated into four areas: public policy and strategic vision, strategic regulation, infrastructure, and training and capabilities. See Zaballos et al. (2021).

²⁷ The IFPG survey includes 13 Caribbean countries: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Trinidad and Tobago, and Suriname. It contains firm-level data on innovation, the use of digital technologies, firm performance, gender, and business management practices. It surveyed a representative sample of close to 2,000 firms.

²⁸ The list of government corporations and statutory agencies is published on the Bahamian government [website](#).

high overhead result in inefficiencies, lack of competitiveness, and reliance on central government transfers. The NIB, which was already underfunded, has been stretched by the unprecedented number of unemployment claims received in 2020 and 2021 due to the pandemic. Structural changes in demographics with an aging population also exert pressure on pension liabilities. The PHA is reliant on subsidies, as losses to delinquency, exemptions, and limitations to the pricing of most of its services restrict the capacity to collect revenue.

- 3.14 **Natural capital assets in coastal ecosystems are another important state asset, and land itself could be managed more effectively.** Mangroves can be up to 10 times more effective at sequestering carbon than other types of forests (Wylie et al. 2016), and therefore offer an opportunity to attract international climate finance, including carbon offsets (Blended Finance Task Force 2019). By leveraging these funds, the GOBH could establish a stable source of revenue to fund upfront costs in mangrove restoration. Exploring opportunities to support existing funds like the Bahamian Protected Areas Fund is a potential area for support. “Crown land” – public lands owned by the government – could also be mobilized to generate funds for the National Investment Fund and its sub-funds to finance key infrastructure and other investments.²⁹ Based on consultations there is an important support the Bank can provide for a land registry based on best international practices that can support Crown, private, and public land management that includes accommodations for adjudication, lease/sales and inventory transparency. Carbon credits, particularly those associated with sea grass reserves, could be mobilized as well, and last year the Climate Change and Carbon Market Initiatives Act was passed to facilitate access to carbon markets.
- 3.15 **The IDB Group’s 2024–2028 Country Strategy will support the country’s efforts to strengthen public sector governance and stabilize public finances.** The CS will (i) support fiscal reforms to further strengthen public financial management, including revenue and expenditure management that supports prudential debt management, (ii) support public sector digitization that addresses inefficiencies in service through the provision of digital infrastructure and digital tools that supports connectivity and service provision, development and implementation of an integrated public digitization plan, and enhanced digital skills of civil servants, and that strengthens the legal, regulatory framework, and governance structure that enables the use of digital technology; and (iii) implement institutional reforms to improve the management of state-owned enterprises to promote greater efficiency and boost transparency.

C. *Boosting Private Sector Competitiveness*

- 3.16 **Support for an improved business climate could improve competitiveness and spur innovation in both the traditional tourism sector and potential new sectors.** The quality and enforcement of regulations represent obstacles to conducting business. Bahamian firms participating in the IFPG Survey reported on average that obtaining a construction-related permit took them 56 days, an operating license 21 days, and an import license 16 days. When asked if an informal gift or payment in exchange for the permit was expected or requested, for operating licenses only 8 percent responded “yes.” However, in the case of construction permits and import licenses, 49 percent and 56 percent of surveyed firms, respectively, reported such payments being expected/requested. The ongoing adoption of digital government services will go a long way towards reducing inefficiencies and narrowing the window of opportunities for corruption and bribery (Neupane et al. 2012; Kahn, Baron, and Vieyra 2018). Access to land for expansion or relocation is another constraint that inhibits

²⁹ On December 12, 2022, the National Investment Fund Bill of 2022 began to be debated in the House of Assembly. The bill would repeal and replace the Sovereign Wealth Fund Act of 2016.

investment. As The Bahamas is an archipelago, opportunities to expand or relocate are scarce. Moreover, inter-island connectivity is limited. Deficiencies in all internal transportation modes, climate-resilient infrastructure, and digitalization of the transport sector contribute to lower competitiveness, as access to other local markets is limited and obtaining key inputs can be challenging.

- 3.17 **The IDB Group can help expand access to finance through a variety of financial and technical assistance instruments.** According to the IFPG survey, more than half of the companies interviewed in The Bahamas characterized access to finance as a major or very severe obstacle to conducting business. Only 13 percent of firms reported having a line of credit to access short-term funding, compared to 22 percent in Belize and 16 percent in Antigua and Barbuda. Access to medium- and long-term loans is also limited, with 18 percent of companies answering that they have such a loan. In Belize, this figure was 24 percent and in St. Vincent and the Grenadines, 23 percent. None of the surveyed firms in The Bahamas reported having equity financing, in line with trends in the rest of the Caribbean countries. In contrast, the share of financially constrained firms in the European Union is only 5 percent.³⁰ The most common mechanism for financing is purchases on credit from suppliers and advances from customers. In 2020, domestic credit to private sector by banks in The Bahamas stood at 61 percent of GDP, and although this was above the Latin American and Caribbean averages (55 percent and 50 percent, respectively), it was below the average in high-income countries (88 percent).³¹ Financial inclusion obstacles are in part explained by a slim system of credit unions, with only 10 entities, compared to 32 in Barbados. Credit unions are highly exposed to the tourism sector and represent about 3 percent of total banking assets. Their penetration in terms of the economically active population stands at 16 percent, lower than the Caribbean average of 66 percent (IMF 2021; World Council of Credit Unions 2020). Fintech is another means to improve access to the payment system and to spur greater use of banks for savings. The Bahamas Central Bank has created a Central Bank Digital Currency, the Sand Dollar, and associated digital wallets that may serve to bring more Bahamians into the banking system across the archipelago.
- 3.18 **Another complex area that offers important opportunities is aligning workers' skills with businesses' needs.** Half the companies interviewed in the IFPG survey considered that the workforce is not adequately educated and would benefit from strengthening education and skills, and that that represents an obstacle for business operations. In 2019/2020 only 59 percent of Bahamian students obtained a high school diploma, though that figure was up from 53 percent the year prior (PMDU 2020). The workforce with tertiary education represents 31 percent of the total, and the unemployment rate of that workforce segment is 4 percent. Those with complete secondary education account for 57 percent of the total workforce, and unemployment stands at 11 percent. The remainder of the workforce, with incomplete secondary education at most, faces the highest unemployment rate, at 18 percent. These figures point to an excess of workers with not enough education. In addition, digital skill upgrading, on-the-job training, and the resolution of information asymmetries could also improve labor market outcomes.

³⁰ Firms financially constrained are those not satisfied with the amount of resources obtained, those that applied for financing and got rejected, and those that did not seek financing because they thought that it was too expensive or that they would be turned down (EIB 2021).

³¹ Credit penetration is defined as domestic credit provided by banks to the private sector. Data correspond to 2020 and were obtained from the World Bank.

3.19 **Investment in key infrastructure is another element to improve competitiveness, and PPPs could play an important facilitating role.** Like many small island developing states, The Bahamas is almost 100 percent reliant on imported fossil fuels and subject to fluctuations in international oil prices, which impacts the cost of generating electricity. At US\$0.26 per kWh for both commercial and residential, average electricity prices are twice the world average of US\$0.13 per kWh for commercial and US\$0.14 per kWh for residential. Power plants are partly outdated and face weather shocks and, thus, technical losses amount to 12.3 percent, while reportedly 9.6 percent of electricity is unbilled. Of firms surveyed in the IFPG in The Bahamas, half saw electricity as a major obstacle and 83 percent reported suffering from power interruptions. In a typical month they experienced on average 2.5 outages that lasted 2.7 hours. Although digital infrastructure is adequate, costs are elevated, and connection speeds could be improved. The Bahamas was ranked 43rd out of 65 countries on the IDB's 2020 Global Broadband Development Index. Although this represents a decline of five spots from 2018, The Bahamas is in second place among Caribbean countries, and seventh among Latin American and Caribbean countries. The index is constructed by analyzing multiple variables aggregated into four areas: public policy and strategic vision, strategic regulation, infrastructure, and training and capabilities. Among Latin American and Caribbean countries, The Bahamas ranked 24th in strategic regulation, eighth in infrastructure, and third in training and capabilities. Coverage is ample, but the monthly fee for a fixed broadband connection in The Bahamas is 5 percent above the Caribbean average and 113 percent above the OECD average, while for a mobile broadband connection the fees are 54 percent and 24 percent higher, respectively. Average broadband speeds in The Bahamas are only slightly below the Caribbean average, but they are less than half the mobile broadband speed in the OECD and less than a third of that in the OECD for fixed broadband.

3.20 **Improving the business environment is a priority, since it will help lower transaction costs, attract investment and innovation, generate employment, and increase competitiveness.** The IDB Group's support for improving the business environment and boosting private sector competitiveness for the private sector will prioritize the following: (i) continue supporting the regulatory framework for investment and trade and customs, and the streamlining of public services such as property registration and applications for licenses; (ii) further increase access to finance to support the ongoing recovery, including through sustainable tourism and by expanding financial inclusion through technical assistance and the use of long-term funding and digital technologies, particularly for MSMEs and companies led and/or owned by women;³² (iii) continue supporting labor market outcomes by better matching skills with labor demands by enhancing the quality of education, digital skills training, and on-the-job training; and (iv) expand support for investments in key infrastructure and for competitiveness, with a focus on climate change resiliency and low-carbon solutions, particularly for renewable energy, energy efficiency, and digital infrastructure, and strengthen the PPP framework to promote infrastructure investment.

D. Human Development and Citizen Security

3.21 **Social indicators for The Bahamas are high compared to other Latin American and Caribbean countries, but they are still behind countries with comparative levels of per capita income.**³³ Progress has been made in recent decades. The Bahamas' HDI score

³² This involves exploring working with domestic banks and credit unions that have capillarity throughout the archipelago to expand financial services to remote areas.

³³ The Bahamas is classified in the very high human development category of the 2019 multidimensional HDI, scoring 0.814 and ranking 58th out of 189 countries.

increased by 2.1 percent between 2000 and 2019, and between 1990 and 2019 life expectancy at birth increased by 3.7 years, mean years of schooling increased by 0.5 years, and expected years of schooling increased by 0.8 years. However, gross national income per capita decreased by about 8.4 percent. Compared to the average of countries with very high HDI scores, both life expectancy (73.9 vs. 79.6 years) and expected years of schooling (12.9 vs. 16.3 years) in The Bahamas are low. The pandemic has resulted in a deterioration of social outcomes, though the lack of recent household surveys and up-to-date data represent a major obstacle in designing appropriate policies to alleviate poverty and inequality and to bring services to those who need them the most.

- 3.22 **Improving data is critical to improving the design of targeted interventions that foster human development, social protection, and citizen security.** Household survey data are long out of date,³⁴ and while labor force surveys are conducted, they are not published on a regular basis. Since 2013, there have been no new iterations of the household survey in The Bahamas, thus there are no updated official measures of poverty. Production of these data provides a valuable tool to policymakers for the design of targeted interventions for social protection, and publication of the data promotes broader public understanding of the country's social situation. This is even more imperative since COVID-19 has tremendously impacted livelihoods. Evidence from the IDB's 2020 online socioeconomic survey showed that reduction of income from job losses and business closures severely affected lower-income households.
- 3.23 **On the health front, non-communicable diseases (NCDs) pose serious threats to both the quality and length of human lives in The Bahamas.** The challenges are obviously different, but both require behavioral changes that government and the private sector can promote. The healthcare infrastructure in the Bahamas is old, requires maintenance, and is vulnerable to natural hazards. The COVID-19 pandemic further strained the healthcare system, as the provision of essential services was disrupted. Preventive and routine care for chronic diseases and other conditions was delayed. In addition, NCDs are becoming more prevalent. Ischemic heart disease, strokes, hypertensive heart disease, and diabetes were the main causes of death in 2019, and death ratios have increased for all these conditions in the last 20 years.³⁵ Obesity rates for both adults and children have trended upward: adult obesity doubled from the 1980s to 31.6 percent in 2016, while teenage obesity stood at 17.3 percent.
- 3.24 **Access to affordable and good quality basic services, such as electricity, water, and transport, has important impacts on development.** Conducting a consumer-centered full review of operations of the state-owned enterprises that provide these services is necessary to understand where there are inefficiencies, and therefore opportunities for improvement. Higher investment is required, and greater use of PPPs or creative approaches involving cooperatives could be paths to attract resources.³⁶ Although the GOBH implemented its first formal policy to identify, structure, and manage PPP projects across sectors in 2018, it still needs to strengthen institutional capacity to manage PPPs through a consistent and transparent process (EIU 2019). Other creative approaches, especially in the water and sanitation space, include the use of performance-based contracts, which have been implemented in the water space in The Bahamas, and the incorporation of circular economy

³⁵ Deaths per 100,000 population for ischemic heart disease increased from 72.46 to 85.79 from 2000 to 2019, according to the World Health Organization.

³⁶ PPPs could be a solution in New Providence, but in the Family Islands other solutions might be needed given the low population density. Such density typically requires substantial public provisioning, as private investment returns are generally too small or negative.

practices. Access to reliable and affordable electricity, to clean water and sanitization infrastructure, and to efficient and low-carbon urban and digitally enabled, climate-resilient, inclusive, and safe and inter-island transportation and services are basic elements that will allow for faster and more equitable development for the population.³⁷ Vulnerable populations, including low-income groups, people with disabilities or reduced mobility, children, and the elderly, depend on walking and public transit as their primary modes of transport. Therefore, investments in universally accessible and safe infrastructure for walking, non-motorized means (such as walking and biking), as well as public transit, are critical to increase access to job opportunities, education, essential services, and social interactions, and to reduce traffic fatalities, inequality, and poverty in addition to mitigating local and global emissions. A pragmatic approach to determine priorities in different parts of the national territory is a good starting point to design a viable strategy.

- 3.25 **Education outcomes in The Bahamas are not up to the standards of other high-income countries, and the disruptions provoked by the pandemic probably exacerbated the problem.** Enrollment in noncompulsory pre-primary education (ages 3 and 4) has increased in recent years due to a Ministry of Education voucher program (US\$2,000/year) that allows parents to send their children to private early childhood centers.³⁸ Consequently, enrollment increased from 11.4 percent in 1999 to 34.5 percent in 2018.³⁹ However, the pre-primary enrollment rate is low compared to other small Caribbean countries, which report gross enrollment rates around 80 percent. In addition, public provision at this level of education remains low. School enrollment for both primary and secondary education has decreased in the last decade. Net enrollment for primary education fell from 80.4 percent to 74.2 percent, while for secondary education it dropped even further, from 79.8 to 62.5 percent.⁴⁰ In 2019/2020 only 59 percent of students who completed the necessary coursework obtained a high school diploma. Data from Bahamas General Certificate of Secondary Education (BGCSE) examinations in grade 12 show that many students from public secondary schools are failing to acquire the minimum expected competencies, including in the basic core disciplines of English and math. This trend is also observed in earlier grades: the results of the Bahamas Junior Certificate (BJC) examinations in grade 9 show that from 2016 to 2020, on average, more than 30 percent of the students sitting for the exams failed to achieve the expected competency level in the subjects. In addition, the extremely low level of learning in science and math indicates that Bahamian students currently do not have the skills necessary to prepare themselves to be successful in the field of science and technology. Furthermore, the education system does not equip the students with 21st century skills. Academic shortcomings start showing up in primary school and are not effectively tackled early on, which has a cumulative effect through time. The Ministry of Education has a goal to increase the high school graduation rate to 85 percent by 2030.
- 3.26 **Crime and violence indicators remain high and show signs of worsening.** Interventions at an early age can help reduce crime and violence over the longer term. The overall status of crime remains a concern. The homicide rate peaked in 2015, at 39 per 100,000 habitants,

³⁷ To facilitate more efficient, sustainable, and inclusive urban and inter-urban transport systems in The Bahamas, capacity-building for transport planning and data collection is critical. Also in the transport sector, there are numerous tools and opportunities for deployment of technology for public transit modernization (digital payment systems) for traffic safety, such as digital speed monitoring, video analytics-AI for analysis of near misses, and ticketing systems, all of which can greatly enhance overall road safety, transparency, and efficiency. These would all be areas for multi-sectoral collaboration.

³⁸ Education is compulsory from 5 to 16 years old.

³⁹ According to the UNESCO Institute for Statistics.

⁴⁰ The net enrollment ratio is the number of individuals of the age of a particular level of education who are enrolled in that level of education, as a percentage of the total population in that age group.

and fell to 24.4 per 100,000 in 2019. However, the rate is still among the highest in the Caribbean, only below Jamaica, Trinidad and Tobago, and St. Lucia.⁴¹ Comparing January-September 2021 to the same period in 2020, the total number of crimes declined by 2 percent, but crimes against persons increased 26 percent, while those against property fell 7 percent.⁴² Murders increased 61 percent, attempted murder 33 percent, and armed robbery 45 percent. Although sexual crimes have declined, rape has gone up by 8 percent. Crimes against property account for 78 percent of total crimes and, despite improvements in rates of shop break-ins, stealing from vehicles, and burglary, the number of stolen vehicles has grown 22 percent, while “other stealing,” which is the most common crime category, has increased 18 percent. It is noteworthy that only one-third of the stolen vehicles were recovered, and 42 percent of murders have not been solved. Crime particularly affects youth and the less educated.

3.27 The IDB financed the Bahamas Women’s Health and Wellbeing Survey – the first national prevalence survey on Gender Based Violence. Administered under BH-L1033: Citizen Security and Justice Programme, the survey examined lifetime and recent experiences of intimate and non-intimate partner violence and abuse along multiple dimensions – sexual and non-sexual. The objectives of the study were to collect information to: (1) highlight the extent and implications of VAW; and (2) use the collected data, in conjunction with additional qualitative data collection, to design a comprehensive care model (CCM) to improve public and private services for women who had experienced violence. Results indicate that one in every four women (25.2%) in The Bahamas has suffered physical and / or sexual violence at some point in their life. Of women who had previously been in an intimate partner relationship: over one in every five (22.8%) has suffered physical violence; just less than one in every ten (8.2%) has experienced sexual violence; one in every three (33.7 per cent) has suffered psychological IPV in the form of emotional abuse, and almost one in every ten women (9.4%) has experienced economic violence. These statistics underscore the importance of data on women’s health and wellbeing to inform legislative and policy reforms to create safer communities for both men and women in The Bahamas. Through a non-reimbursable technical cooperation (BH-T1088), the Bank will continue ongoing work to support the Government with translating this data into policy recommendations in partnership with the Domestic Violence Unit launched by the Royal Bahamas Police Force in 2022.

3.28 To build resilience to natural disasters, the IDB Group will prioritize interventions that foster social development, improve citizen security and the quality of basic services. Specifically, this will be done by (i) supporting the assessment of living conditions, which will provide valuable data for the design and implementation of targeted interventions to increase social protection; (ii) ensuring equitable access and reducing asymmetries in health benefits among different health institutions and strengthening the healthcare ecosystem to respond to NCDs by promoting access to health services with a focus on preventive care; (iii) tackling crime and violence against women by supporting early childhood educational programs targeting at-risk youths that cover conflict resolution, emotional management and healthy interpersonal relations, and the promotion of non-violent group activities and community recreational activities such as sports; (iv) supporting PPPs and other innovative approaches, including those that foster participation of the private sector to provide high-quality, affordable, and climate-resilient infrastructure for renewable energy, clean water, sanitation, and inter-

⁴¹ According to the United Nations Office on Drugs and Crime.

⁴² The most common crimes against persons in January-September 2021 were armed robbery (49.3 percent of total incidents), murder (13.5 percent), and unlawful sexual intercourse (13.5 percent). See Royal Bahamas Police Force (2020).

island transportation;⁴³ strengthening institutional capacity to manage PPPs; and (v) reviewing and tailoring the curricula to develop skills for jobs of the future, supporting the development of a labor market information system to identify skill gaps and address skill mismatches, and encouraging private sector participation in the design and implementation of skill development. All these actions will be carried out with a focus on building resilience. For instance, a good data generating process on living conditions in the different parts of the archipelago will provide the inputs to better target resilient interventions in geographic areas that lack one or many of the key elements that promote human development and citizen security, namely: (i) equitable health care access, (ii) high-quality, affordable, and green infrastructure and (iii) strengthening the knowledge and skills necessary to promote a safe and productive socio-economic environment.

E. Cross-Cutting Themes

- 3.29 **In terms of gender and social inclusion, The Bahamas is ranked 58th on the 2021 Global Gender Gap Index, which is the lowest among the Caribbean comparator countries.**⁴⁴ According to the May 2019 Labor Force Survey, women are approximately 75 percent and 60 percent more likely than men to have completed university education or passed any examination, respectively. However, even women who have completed a university-level education are more than twice as likely to be unemployed, and they earn only 68 percent of the income earned by men.⁴⁵ These inequities were further exacerbated by the pandemic. According to an IDB survey in April 2020, 58.5 percent of women lost their employment compared to 39.1 percent of men, and the burden of domestic chores deepened (Arteaga et al. 2020). In addition, women are underrepresented in managerial positions in private companies: only 33.2 percent of top managers are women. In the political realm, female representation in Parliament lags comparator countries. According to the Political Empowerment Sub-index (of the Global Gender Gap Index), The Bahamas was ranked 146th out of 155 countries, and since the last election, according to the Inter-Parliamentary Union database, women occupied only 18 percent of seats in The Bahamas' lower house, which is lower than in Jamaica (28.6 percent), Barbados (26.7 percent) and Trinidad and Tobago (26.2 percent).⁴⁶
- 3.30 **Furthermore, 11.3 percent of surveyed women reported an increase in domestic violence since the beginning of the pandemic, with a higher prevalence in high-income households (13.9 percent).** Historically, there was no systemized national survey to evaluate the presence of intimate partner violence or sexual violence in The Bahamas, and police reports provided only a partial view. A new survey is under way that will be critical for understanding the dimension of the problem. Despite the multiple challenges faced by women, there is still no constitutional protection against gender-based discrimination.
- 3.31 **LGBTQ+ persons and migrants, especially the undocumented, face a high risk of discrimination and violence in The Bahamas, while people with disabilities face**

⁴³ In the prevailing context of supporting the region's efforts to achieve Vision 25 by 2025, high-quality and reliable infrastructure is necessary to safeguard food security in the archipelago.

⁴⁴ Barbados (27th), Trinidad and Tobago (37th), Jamaica (40th), Suriname (51st), and Guyana (53rd).

⁴⁵ Calculations based on the estimated gross national income per capita for each gender found in the United Nations Development Programme's *Human Development Report 2020*.

⁴⁶ The IDB approved a TC in 2022, Advancing Gender Equality and the Empowerment of Women and Girls in The Bahamas (BH-T1088). The objective of the TC is to assess the country's technical capacity for advancement of the country's priorities for gender mainstreaming in legislation, public policy, leadership development, and behavioral change.

pronounced conditions of social and economic exclusion. LGBTQ+ persons are exposed to discrimination, stigma, harassment, and sexual and physical violence perpetrated by members of their families, communities, and state actors such as the police and judicial system. This violence puts LGBTQ+ persons at increased risk of HIV (UNAIDS 2014), mental health issues, homelessness, and poverty. Crime cases remain unreported unless they escalate to homicide due to fears of the victim's family and friends regarding stigma and discrimination (Ministry of Social Services and Community Development 2015). Additionally, migrants, especially the undocumented, are less likely to engage with state institutions due to a fear of deportation or mistreatment. There are also no available data on the number of LGBTQ+ people in The Bahamas, while detailed data on undocumented migrants are limited. Persons with disabilities face exclusion in schools and the labor market, as well as significant challenges in accessing infrastructure, information, and other services (IDB 2019; Duryea et al. 2019). A recent IDB study estimated the prevalence of disabilities at 14.7 percent in 2020 and reported that that rate is expected to increase to 19.7 percent by 2050 given demographic structural changes (Berlinski et al. 2021). The IDB Group will continue to provide opportunities for action on gender, diversity, and inclusion, particularly through the private sector. Specifically, the IDB Group will continue to support boosting the insertion, retention, and career development of women and people with disabilities in formal labor markets by implementing initiatives (e.g., Gender and Disability Inclusion Action Plans, data collection and management, internships, trainings, etc.) as part of financing packages granted to SMEs, corporations and financial institutions. Also, the IDB Group looks to strengthen inclusion initiatives via performance-based incentives, specifically for women (i.e., spread step-downs) on potential blended finance components. With regards to Disaster Risk Management, the implementation of clear protocols and actions to support people with disabilities in the case of Hurricanes or other climate related disasters. Finally, to continue the work on diversifying the energy matrix through training programs that comply with the principles of universal design to ensure that persons with disabilities can participate and promote their incorporation into their workforce⁴⁷.

- 3.32 **The success of The Bahamas' climate change response is dependent on both domestic actions and global efforts to reduce greenhouse gas emissions.** A large share of the population is at risk. Almost 83 percent of the population lives in low-elevation coastal zones below 10 meters, which is the highest percentage share among IDB member countries, and which suggests elevated risks of flooding and damage from rising sea levels (CIESIN 2013). This becomes more of a concern as global warming implies more frequent and more severe hurricanes. The natural capital of The Bahamas acts as an essential economic engine, supporting jobs and overall economic prosperity for Bahamians. The preservation of natural capital is also crucial for a multitude of services and for climate change mitigation and adaptation, especially in terms of resilience to natural disasters. Natural capital is being degraded by unsustainable coastal development for tourism and housing, which can lead to mangrove clearing and pollution. Sustainable fishing practices would maintain coral reefs, which protect the coastline, maintain beaches, and sustain healthy flora and fauna populations, important to the 31 percent of tourists attracted by snorkeling opportunities. Both a shift towards sustainable fishing and resilient tourism would form part of a larger shift towards a blue economy and have positive spillover effects on both industries. Tourism's

⁴⁷ The Grant (BH-G0003) "Reconstruction with Resilience in the Energy Sector in The Bahamas" will carry out an analysis to identify the different work, per type of disability, that could be performed by persons with disabilities. It will also design and implement a pilot project, based on the results of the analysis just mentioned, to incentivize persons with disabilities to participate into the trainings and to promote their incorporation into the workforce throughout the value chain of solar PV systems.

central role in the economy implies the need for a National Sustainable Tourism Development Plan that is focused on a long-term strategy to develop a resilient and sustainable tourism product. The success of this plan should be data-driven and systematically updated and include stakeholders such as civil society and nongovernmental organizations.

- 3.33 **The IDB Group will incorporate elements of climate resilience, adaptation, and mitigation in its transactions, and is committed to helping clients measure and manage both physical and transition climate-related risks in their operations, investment decisions, and project development.** The IDB Group will also prioritize initiatives to improve resilience to climate variability and climate shocks by partnering with the GOBH to increase the availability of climate-relevant and disaster risk information, building capacity to help incorporate climate change considerations into infrastructure development, support the implementation of the NDC and its responsibilities under the Paris Agreement, enhance information dissemination and education, develop a multi-sectoral approach to build linkages for adaptation across public and private sectors, and enhance management of the country's blue economy, including the management and sustainable utilization of its blue carbon assets. The group will also help the government develop regulatory capacity and a governance and monitoring system to manage carbon credits. Furthermore, investing in natural capital in coastal ecosystems will help attract new sources of financing in addition to helping to respond to many development challenges, including poverty alleviation, job creation, infrastructure resilience, and climate mitigation and adaptation, given the increasing connection between the oceans and addressing climate change. Impacts of climate change – specifically the increase in temperatures, sea level rise, stronger and more frequent storms, increased storm surge, coral bleaching, and the increase in invasive species – pose a significant threat to the majority of the population and to economic activity in The Bahamas.⁴⁸ Additionally as the country moves towards low-carbon sustainable development, the IDB Group will support this process and the just transitioning that will be required.
- 3.34 **In terms of Institutional Capacity and Rule of Law in The Bahamas, reaching the levels of the best of the high-income countries is feasible.** As noted above, The Bahamas lags non-OECD high-income countries in two areas of the World Bank's World Governance Indicators: regulatory quality and the rule of law. There could also be progress in terms of corruption. The 2021 World Justice Project Rule of Law Index ranks The Bahamas 9th out of 32 countries in the Americas, and 47th out of 139 countries globally. However, within its income group, the country is ranked 42nd out of 46. The overall rule of law score over the last five years has remained constant. When it comes to the specific "Absence of Corruption" sub-indicator, The Bahamas is ranked 17th out of 32 countries in the Americas, 63rd out of 139 globally, and 42nd out of 46 countries within its income group. A further breakdown of this indicator shows that the Parliament is perceived as the institution most vulnerable to corruption, followed by the executive, the police, and the judiciary. Another area where improvements could be made is in public financial management systems and government procurement practices. In 2021, the government enacted the Public Procurement Act, and a revised version was tabled in October 2022. The new Public Procurement Act will enter into effect on July 1, 2023. The IDB provided support in 2021–2022 to review the Public Procurement Act and has led efforts to provide consolidated comments to the government and the Caribbean Development Bank. In 2022, the GOBH implemented, with its own resources, a procurement platform, "Bonfire," with the aim to use it across government agencies. The IDB conducted an assessment to approve the use of the Bonfire platform (e-tendering system) in the IDB project portfolio. These improvements would help reach the

⁴⁸ Government of the Bahamas, 2022, The Bahamas Updated NDC.

public sector governance objectives discussed above. In addition, promoting integrity, transparency, justice, and ethical conduct of the private sector by strengthening corporate governance and implementing practices to reduce crime – including policies and procedures related to the control of corruption, anti-money laundering and anti-terrorist financing controls – will improve governance from a private sector view.

IV. ESTIMATED LENDING FRAMEWORK

- 4.1 **The IDB Group foresees sovereign guaranteed approvals of US\$850 million over the period from 2024–2028.** As noted above, the new IDB Group 2024–2028 Country Strategy aims build resiliency and to fully support the Bahamian government’s Blueprint for Change 10-Point Plan and the National Development Plan: Vision 2040 via a combination of sustained financial support, knowledge products, and technical cooperation. Average disbursements of US\$96 million per year, including from the inherited portfolio, are expected. This will lead to disbursements totaling US\$480 million over the five-year period compared to the annual average of US\$111 million for a total of approximately US\$555 million over the previous CS period. Expected average annual approvals over the period amount to US\$170 million. These estimates assume compliance with the Bank’s macroeconomic safeguards and access to PBL resources over the CS period. Technical assistance and investment grants would continue to play a central role during the CS period. Furthermore, there is considerable scope to leverage incremental financial support from other international financial institutions and bilateral donors. By 2028, the country’s debt to the IDB Group is expected to amount to about 7.08 percent of GDP, compared to 5.8 percent at end-2022.⁴⁹

V. STRATEGY IMPLEMENTATION

- 5.1 **During the 2024–2028 Country Strategy period, the focus will be on supporting a durable economic recovery from the COVID-19 crisis led by strengthening public sector governance, boosting private sector competitiveness, and fostering human development and citizen security, while ensuring fiscal sustainability.** Maintaining public debt on a consolidation path consistent with the objectives set out under the fiscal responsibility framework will require a tighter fiscal envelope than envisioned prior to March 2020. This implies creative approaches to spurring both public and private investment to sustain the ongoing economic recovery.
- 5.2 **Execution of the SG portfolio will depend on the stability of macroeconomic conditions, which were considerably affected by the COVID-19 pandemic.** The fiscal space assignment to the portfolio will be the key element. Considering the implementation challenges of the previous CS period, as outlined in the ICPR, the Bank will continue to strengthen skills in project management, procurement change management, and project monitoring within the executing agencies. The IDB Group will support the GOBH’s efforts to improve project execution with agile techniques for planning, accelerating the digitalization and use of new technologies, as well as support initiatives to strengthen the environmental and social risk management skill sets in project executing units. The Bank will continue to provide innovative solutions to evolving country challenges through a more robust and inclusive project design process that more closely incorporates beneficiaries and intra-

⁴⁹ Based on data from the Government of the Bahamas’ 2022 *Fiscal Strategy Report*.

governmental coordination that improves linkages between impacts and outputs. This process will include a greater focus on realistic planning, assessment of institutional capacity, and provisions for potential contingencies during execution since transformational projects increasingly rely on highly technical and fiduciary skills that are limited in The Bahamas. In addition, contract management needs to be improved to ensure timely delivery of quality goods and services, and a formal space will be created for knowledge-sharing, learning, and collaboration to improve execution.

- 5.3 **Country Systems. The IDB continues to use the country’s budgetary system, accounting and treasury systems for 100 percent of loans and will monitor the implementation of the SAI-PMF action plan to strengthen the services of the Auditor General for External Control.** In 2023, the Bank performed the SAI-PMF evaluation of the External Control System and the Bank will support and monitor the implementation of the action plan developed for the Auditor General. During the period of this Country Strategy, the Bank will pursue increasing the use of the reporting system through the implementation of the Public Finance Management Bill 2023, especially following up on the operation of the consolidated account fund, authorization of expenditures, administration of special funds, and internal audits and reports. In 2021, the GOBH enacted the Public Procurement Act. But with the change in the government authorities, the new administration in October 2022 tabled the revised bill, which, when enacted, would repeal and replace the 2021 Public Procurement Act. The IDB has been providing support in 2021–2022 to review the Public Procurement Act and has led the efforts to provide consolidated comments to the government and the Caribbean Development Bank. The new Public Procurement Act entered into effect on July 1, 2023.
- 5.4 **In 2022, with its own resources, the GOBH implemented a procurement platform, “Bonfire” with the intention of using it across government agencies.** The Bank conducted an assessment to approve the use of the Bonfire Platform (e-tendering system) in the IDB project portfolio. The focus of this assessment was to determine if the implementation of the Bonfire electronic system in The Bahamas satisfies and complies with multilateral development bank e-GP Guidelines and IDB-specific guidelines. The assessment deemed the system compliant with the requirements of the basic functions and procedures to support and manage procurement processes in accordance with the principles and functions prescribed by the multilateral development bank and IDB e-GP Guidelines. As a result of the assessment, the Bank validated that Bonfire could be used in the IDB portfolio. It is expected that all IDB loans will use the platform in 2023 and continue to use it in the coming years. It is essential to mention that the government is using this eGP as a national country system. The dialogue with the government to implement a national system will continue.

Table 1. Current and Proposed Use of Fiduciary Systems in The Bahamas		
Systems	Level of Use in Number of Projects (Percent)	
	2022	2027
Budget	100	100

Table 1. Current and Proposed Use of Fiduciary Systems in The Bahamas		
Systems	Level of Use in Number of Projects (Percent)	
	2022	2027
Treasury	91	100
Accounting and Reporting (*)	91 18	100 30
Internal Audit (*)	18	20
External Control (*)	36	40
Information Systems (**)	18	100
Individual Consultant (**)	18	20
Shopping (**)	18	20
Nationally competitive bidding partial (**)	18	20

- 5.5 **Donor coordination and Resource Mobilization.** The IDB Group has maintained a continuous dialogue with other international and development partners in The Bahamas. The Country Office has played an active role in the multi-donor coordination groups and will continue doing so with the support of the Office of Outreach and Partnerships (ORP). Through the Country Office, the Bank has a strong relationship with the European Union, the World Bank Group, the United Nations Economic Commission for Latin America and the Caribbean and other United Nations agencies, and the Pacific Disaster Center on post-disaster economic assessments, as needed. With the support of the ORP, the Country Office will continue to explore cofinancing opportunities to leverage resources from development partners, as well as grant opportunities from the European Commission, among others, particularly those focused on climate change and resilient infrastructure financing. The ORP will also seek to lead the mobilization of non-financial resources such as technical knowledge, expertise, and capacity-building from international partners, private sector companies, universities, nongovernmental organizations, etc. Furthermore, the IDB will continue to coordinate closely with other multilateral and international agencies during the new CS period. Regarding resource mobilization, the Bank worked closely with the GOBH in supporting a bond issuance enhanced with a PBG. The Bank's PBG allowed The Bahamas to access international markets during very difficult times after Russia's invasion to Ukraine.

- 5.6 **Synergies with IDB, IDB Invest and IDB Lab. The IDB Group will continue to seek more strategic coordination between the IDB, IDB Invest, and IDB Lab to leverage the overall value proposition of the institution in providing financial and non-financial solutions to The Bahamas.** There are opportunities for the IDB Group to leverage the full suite of public and private instruments to reach the strategic objectives set out in this document. One of these is the expansion of the stock and improvement of the quality of sustainable infrastructure, including social infrastructure, for which PPPs could provide alternatives to mobilize additional needed investments. However, some challenges remain, such as enacting key aspects of the PPP-related legislation and developing capacity within the PPP program⁵⁰. The expansion of renewable energy by private entities also requires strengthening the regulatory framework of the sector. Financial inclusion, particularly when supported by digital solutions, could be an area where IDB Invest could scale up IDB Lab efforts.

VI. RISKS

- 6.1 **Fiscal constraints and current turbulence in global commodity markets affect The Bahamas.** Given its dependence on tourism, the Bahamian economy suffered the largest single year economic shock on record in 2020, driven by the COVID-19 crisis. This caused fiscal balances to deteriorate and debt levels to increase. The tourism sector and economic performance began to recover in the second half of 2021, and advanced bookings for early 2023 indicate that arrivals and earnings could reach or surpass the record levels of 2019. That said, weakening global economic growth and monetary policy tightening in the United States could affect demand from that key source market in the short and medium term. The Bahamas is currently facing considerable price pressures driven by pass-through inflation from rising commodity prices and the impact of supply-chain bottlenecks affecting imported goods and inputs. The minimum wage has been raised and selected price controls implemented to ease the social impact of these increases on the cost of living. While modest inflation can serve to improve fiscal indicators in the short term, there is the need for attention to the longer-term trend of rising public indebtedness. Efforts are under way to strengthen public financial management and fiscal institutions, including potential reforms to existing fiscal responsibility legislation. Over the medium term, transitioning to alternative green energy sources will reduce fiscal and external risks over the longer term, but the transition itself is complex and involves its own risks. The IDB Group will continue to focus on supporting the government's efforts to develop high-standard institutions for policy and economic management as well as capacity for economic and public financial management and will provide financial support if needed in the event of significant economic shocks.
- 6.2 **Weather events, exacerbated by climate change, have a particularly severe effect on The Bahamas, which is one of the most vulnerable countries in the world with respect to natural disasters and climate change.** This is due to its location in the disaster-prone Caribbean, as well as its extensive coastline, isolated and disperse populations across the archipelago with other population centers concentrated in coastal areas, and economic dependence on tourism, a sector highly sensitive to disasters and climate issues. As mentioned earlier, The Bahamas passed a Disaster Risk Management Act last year that puts the country at the leading edge of such governance in the Caribbean. The Bahamas also

⁵⁰ Infrascopes 2021-2022. Economist Intelligence Unit, commissioned by the IDB.

participates in the CCF and the Caribbean Catastrophe Risk Insurance Facility.⁵¹ The IDB Group will continue to support the country's climate change and disaster risk management agendas by promoting cross-cutting mitigation and adaptation efforts that will build up climate resilience in the most vulnerable sectors of the country, as well as for its natural assets. The IDB Group will also continue to foster close collaboration and discussion with local authorities to mainstream disaster risk management and climate resilience and adaptation as key elements of sustainable development and the country's blue economy. Operations that involve construction/retrofitting of infrastructure assets will emphasize the incorporation of climate-resilient and adapted infrastructure, the promotion of climate-resilient sources of renewable energy (e.g., wind and solar), and the incorporation of climate-smart and resilient agricultural practices and nature-based solutions. The IDB Group will build on the legal mandate established by the new Disaster Risk Management Act and on previous successes to improve public financial resilience, including working with the government to invest in resilience to natural disasters and climate change and to maintain contingent credit facilities for natural disasters, and other related efforts to ensure access to resources in the event of disasters. The IDB Group will also support efforts to ensure a just transition as the country seeks to implement its NDCs (UNFCCC, undated).

- 6.3 **Execution capacity also poses a risk.** As in other small states, execution capacity in The Bahamas is limited. The IDB Group will continue to mobilize technical cooperation support to assist the government in pre-investment and readiness for project design and implementation. Training will be deployed to improve capacity for compliance with the requirements, including environmental and social management requirements, as well as to inform counterparts of the inherent value of these requirements for the success and sustainability of investment projects. The IDB Group will explore new execution mechanisms that incentivize the PEUs to timely execute the different processes related to the projects, including procurement processes.
- 6.4 **Non-sovereign guaranteed operations face several risks in The Bahamas.** These include (i) market fluctuations associated with both the demand and alternative options for financing business projects; (ii) the confluence of market failures that highlight a cycle of low productivity and low investment, including information asymmetries in the real and financial sectors; (iii) a need to further improve the ecosystem supporting the ease of doing business; (iv) changes in priorities that impact the rollout of large-scale capital projects that would require the involvement of the private sector; and (v) loss of assets and disruptions to operations and investment programs caused by natural disasters, namely hurricanes. These risks imply that the origination and execution of private sector operations encounter various obstacles that could make it difficult for the IDB Group to support companies. To mitigate the risks of executing non-sovereign guaranteed operations, IDB Invest will seek to strengthen the business practices of its direct clients, as well as those of the clients of any supported financial institutions. The IDB Group will also help provide supportive conditions for private investment and entrepreneurship, and to address climate and physical risks. At the same time, IDB Invest continues to refine its capacity to be more effective in small island countries such as The Bahamas.

⁵¹ The Bank continues to support The Bahamas with the CCF instrument for disaster risk management, fully compliant with the instrument's parameters, as well as the PPO on all existing IDB loan contracts. The PPO allows for the postponement of the principal loan payments in the event of a disaster.

Annex I: Results Matrix

Government Priorities	Strategic Areas	IDB Strategic Objectives	Expected Results	Indicators	Baseline (Source)
(1) Rescuing the Economy (2) Commitment to National Investment Fund + natural resources (3) Reconstruction + resiliency	1. Disaster risk management	1.1 Strengthen the country's resilience to disaster and climate change	Improved governance for disaster risk management	Index of Governance and Public Policy in Disaster Risk Management (iGOPP), overall score	22 (2020, iGOPP score)
	2. Strengthening public sector governance	2.1 Improve the central government's public financial management	Improved fiscal balances, and strengthen debt and state-owned enterprise management	Debt as a percent of GDP	84.5% (End FY2022/2023, Ministry of Finance, 2023/2024 Annual Budget)
				Overall balance as a percent of GDP	-3.8% (FY2022/2023, Ministry of Finance, 2023/2024 Annual Budget)
		2.2 Improve government effectiveness and responsiveness, and the quality of public services	Improved public sector digitalization including digital infrastructure, enhanced skills of civil servants, and strengthened governance structure	e-Participation Index score	0.4 (2022, United Nations E-Government Survey)
				Government Effectiveness score	0.46 ¹ (2021, World Bank Worldwide Governance Indicators)
	3. Boosting private sector competitiveness	3.1 Improve the business climate	Expanded access to financial resources for investment and resiliency by the productive sector	Private sector credit/GDP (percent)	46.9 (2019, Global Financial Development Report Database)
(4) Bahamian empowerment (5) Reconstruction + resiliency			Improved labor market outcomes for females	Female unemployment rate	8.5% (May 2023, Labor Force Survey, Department of Statistics)

Government Priorities	Strategic Areas	IDB Strategic Objectives	Expected Results	Indicators	Baseline (Source)
		3.2 Promote investments in sustainable infrastructure	Reduced reliance on fossil fuels	Installed capacity of renewable energy	6MW (2021, Caribbean Centre for Renewable Energy and Energy Efficiency)
(6) A Healthy Bahamas (7) Compassionate social relief + strengthened security	4. Human development and citizen security	4.1 Improve access to and quality of basic services	Improved access to health services with a focus on preventative care	Diabetes mellitus mortality rate	39.4 per 100,000 (2019, Pan American Health Organization online Enlace database)
			Strengthened framework for public-private partnerships for resilient social infrastructure	Infrascope Public-Private Partnership Index, Overall Score	37 (2021/2022 Infrascope Index, Economist Intelligent Unit)
		4.2 Reduce violent crime, especially crime against women	Violence and gender dimensions incorporated into education programs	Homicide rate, females	5.4 per 100,000 (2020, World Bank, World Development Indicators)

¹ Estimate of governance: ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance.

Annex II (a): Country Systems Matrix

Strategic Objective	Expected Results	Indicator	Baseline (2022)	Indicative Target	Timing
Strengthening and use of country systems	Increased use of financial management subsystems (treasury, accounting and reporting, internal audit and external control)	a) Percent of IDB projects using the Budget System. b) Percent of IDB projects using the Treasury Single Account c) Percent of IDB projects using the accounting and reporting subsystem d) Percent of IDB projects using the internal audit subsystem e) Percent of IDB projects using the external control subsystem	a) 100% of IDB projects using the Budget System. b) 91% of IDB projects using the Treasury Single Account c) 91% of IDB projects using the Accounting and 18% reporting subsystem d) 18% of IDB projects using the Internal Audit subsystem e) 36% of IDB projects using the External Control subsystem	a) 100% of IDB projects using the Budget system. b) 100% of IDB projects using the Treasury Single Account c) 100% of IDB projects using the accounting and 30% using Reporting subsystem. d) 20% of IDB projects using the Internal Audit subsystem e) 40% of IDB projects using the External Control subsystem	At the end of Country Strategy period
	Increased use of procurement subsystems (national informative system, shopping, contracting of individual consultants and national competitive bidding (NCB))	a) Percent of IDB projects fully using the national informative system b) Percent of IDB projects using the shopping subsystem c) Percent of IDB projects using the contracting of individual consultants subsystem d) Percent of IDB projects using the NCB subsystem	a) 18% of IDB projects using the national informative system b) 18% of IDB projects using the shopping subsystem c) 18% of IDB projects using the contracting of individual consultant subsystem d) 18% of IDB projects using the advanced NCB subsystem	a) 20% of IDB projects fully using the national informative system b) 20% of IDB projects using the shopping subsystem c) 20% of IDB projects using the contracting of individual consultant subsystem d) 20% of IDB projects using the advanced NCB subsystem	At the end of Country Strategy period

Annex II (b): Use of Fiduciary Systems during the Country Strategy Period (Percent)

Bank's Strategic Objective	Use of Country Systems	Baseline 2023	Estimated Use 2027	Expected Actions
Institutional Capacity Effectiveness and Efficiency	Budget	100	100	Monitoring of the enhancements and validation
	Treasury	100	100	Monitoring of enhancements and validation
	Accounting/ Reporting	100 25	100 30	Monitoring of enhancements and validation
	Internal Audit ¹	25	20	Validation
	External Audit	33	40	Monitoring of SAI-PMF action plan implementation, and re-assessment
	Full Use of National Informative System	83	100	Dialogue, usage monitoring
	Price Comparison (Shopping)	25	30	Dialogue, usage monitoring
	Contracting of Individual Consultants	25	30	Dialogue, usage monitoring
	National Competitive Bidding	25	30	Dialogue, usage monitoring

¹ Used for policy-based and Contingency loans only.

Annex III: The Bahamas: Main Economic and Social Indicators

Population (2019): 381,000; Per capita GDP (2019): US\$37,190 Quota (current; millions of SDRs/Percent of total): 182.4/0.04%; Literacy rate (2000): 97.2%/Poverty rate (2013): 12.5%; Main products and exports: tourism, chemicals, styrene polymers, crustaceans, and ships and shipping services									
(Annual percent change, unless otherwise indicated)									
Real Sector	2020	2021	2022	2023p	2024p	2025p	2026p	2027p	2028p
Real GDP	-23.8	13.7	11.0	4.3	1.8	1.6	1.6	1.5	1.5
Nominal GDP	-26.5	15.6	16.3	8.3	4.6	3.8	3.6	3.4	3.3
Consumer price index (end of period)	1.2	4.1	5.5	3.7	2.8	2.5	2.3	2.0	1.9
Consumer price index (average)	0.0	2.9	5.6	4.5	3.4	2.7	2.5	2.2	2.0
Exchange rate (end of period, BHS\$/US\$)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Treasury bill rate (average, percent)	1.8	2.5	2.9
Unemployment rate (percent)	25.6	18.1	12.3	12.0	11.7	11.6	11.4	11.1	11.0
(In percent of GDP)									
External sector	2020	2021	2022p	2023p	2024p	2025p	2026p	2027p	2028p
Current account balance	-23.6	-22.6	-14.2	-8.8	-8.1	-7.5	-6.8	-6.1	-5.6
Exports of goods and services*	16.9	26.6	34.5	39.0	41.9	42.6	43.1	43.6	...
Imports of goods and services*	34.6	40.1	46.7	45.9	45.3	44.8	44.7	44.7	...
Gross international reserves (Millions of U.S. dollars)*	2382.0	2434.0	2065.0	2021.0	2011.0	2025.0	1956.0	1964.0	...
Public Sector	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Budgetary revenue	18.4	19.4	21.2	20.6	21.0	21.3	21.4	21.6	21.6
Of which: Tax revenue*	16.4	16.3	16.9	17.1	17.2	17.4	17.5	17.5	...
Budgetary expenditure	25.8	33.0	27.1	25.4	24.5	24.0	23.9	23.5	23.3
Of which: Wages and salaries*	6.7	7.1	6.5	5.9	5.7	5.6	5.5	5.5	...
Budget balance	-7.4	-13.6	-5.8	-4.8	-3.5	-2.7	-2.4	-1.9	-1.7
Of which: Central government primary balance	-4.4	-9.3	-1.3	-0.3	0.9	1.9	2.2	2.4	2.6

Source: Macroeconomic data are from the International Monetary Fund's April 2023 *World Economic Outlook* and 2022 *Article IV Consultation—Staff Report*; and the Central Bank of The Bahamas' *Quarterly Economic Review*.

Note: p = projection.

* Projections start in 2022.

Annex IV: Indicative Financing Scenario

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average 2024–2028	Total 2024–2028
Approvals	30	125	300	180	200	560	210	160	160	160	160	170	850
a. Loan disbursements.	16.1	37	280.8	188.1	33.8	185.5	30	180	40	190	40	96	480
<i>Of which: policy-based loan disbursements</i>	0	0	200	140	0	160	0	160	0	160	0	64	320
b. Repayments (principal)	22.33	22.8	20.7	20	13.8	17.1	20.9	26.4	51.3	57.6	62.9	43.82	219.1
c. Net loan flow (a–b)	-6.28	14.24	260.1	168.1	12.4	168.4	9.1	153.6	-11.3	132.4	-22.9	52.18	260.9
d. Interest and charges	10.02	10.59	16.39	34.52	43.62	46.49	45.9	45.621	45.714	43.7	38.8	43.947	219.735
e. Net cash flow (c-d)	-16.3	3.65	243.7	133.6	-27.3	121.91	-36.8	107.979	-57.014	88.7	-61.7		
IDB Debt ¹	258.8	256.7	323.6	696.5	703.3	871.7	880.8	1034.4	1023.1	1155.5	1132.6		
IDB Debt/Multilateral Debt	91.90%	93.20%	49.90%	59.20%	60.40%	66%	73%	75%	75%	79%	75%		
IDB Debt/Public External Debt	8.00%	8.20%	9.40%	14.50%	13.00%	19%	19%	27%	29%	33%	32%		
IDB Debt/GDP	2.10%	1.90%	2.90%	7.10%	5.80%	6.60%	6.65%	7.31%	6.89%	7.49%	7.08%		

Note: The indicative financing scenario is subject to change as discussions with the Government of The Bahamas are ongoing.

¹ Debt figures are from the Public Debt Statistical Bulletin, which is published quarterly by the Government of The Bahamas.

Annex V: Country Strategy Development Effectiveness Matrix

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX	
<p>In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to increase the evaluability of all Bank development products.</p> <p>The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group of the Multilateral Development Banks in the "Good Practice Standards for Country Strategy and Program Evaluation."</p>	

COUNTRY STRATEGY: The Bahamas

STRATEGIC ALIGNMENT

Refers to the degree to which the design and objectives of the CS are consistent with the country development challenges and with the government's development plans and priorities.

EFFECTIVENESS

These measures whether the country strategy is likely to achieve its intended objectives, through an examination of three dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; (iii) the use and buildup of country systems.

Effectiveness dimensions	
I. Country Diagnosis - Country Development Challenges (CDC)*	Yes/No
- The CDC is comprehensive/holistic/complete	Yes
- The CDC clearly identifies the main development challenges	Yes
- The CDC presents magnitudes of the main development challenges that are based on empirical evidence	Yes
II. Priority Areas Diagnostics	Percentage
- That clearly identify and dimension, based on empirical evidence, the priority area's specific constraints and challenges	100%
- That clearly identify and dimension, based on empirical evidence, the main factors or causes contributing to the specific constraints and challenges	100%
- That provide corresponding policy recommendations	100%

III. Results matrix**	
- The strategic objectives are clearly defined	100%
- The expected outcomes are clearly defined	100%
- The strategic objectives and expected results that are directly related to the main constraints identified in the diagnosis	100%
- The indicators are outcome indicators and are SMART	100%
- The indicators have baselines	100%
IV. Vertical logic	Yes/No
- The CS has vertical logic	Yes

* This analysis includes any potential diagnostic document used elaborated to inform.

** The Results Matrix is composed by indicators that are meaningful to, and capture progress towards, the expected results. The expected results stem from the strategic objectives.

CS Diagnostic: As part of the Country Strategy 2024–2028 a country development challenges diagnostic was presented, under the title "The Bahamas: Country Development Challenges Update." The CS diagnostic is comprehensive and based on empirical evidence. The diagnostic identifies four priority areas for Bank intervention: (i) disaster risk management, (ii) strengthening public sector governance; (iii) private sector competitiveness; and (iv) human development and citizen security.

- The diagnostic clearly identifies and dimensions, based on empirical evidence, 100% priority area's specific constraints and challenges.
- The diagnostic clearly identifies and dimensions, based on empirical evidence, the main factors or causes contributing to the specific constraints and challenges for 100% of the priority areas.
- The diagnostic provides corresponding policy recommendations for Bank actions, which are based on empirical evidence, for 100% of the priority areas.

Results matrix: The section of the Results Matrix corresponding to the new strategic area includes 7 strategic objectives for Bank action, 9 expected results and 11 indicators to measure progress.

- 100% of the strategic objectives are clearly defined.
- 100% of the expected outcomes are clearly defined.
- 100% CS Objectives are related to the main constraints identified in the diagnosis.
- 100% of the indicators used are SMART.
- 100% of the indicators have baselines.

Country Systems: Using country systems in The Bahamas at a moderated stage. The IDB will continue to strengthen and use the following fiduciary subsystems in The Bahamas: Budget, Treasury, Accounting and Reporting, External Control.

Vertical logic: The CS has vertical logic.

RISKS. *This measures three dimensions: (i) identification of factors that actually do or might affect attainment of the proposed objectives; (ii) definition of mitigation measures; and (iii) monitoring mechanisms.*

The strategy identifies three risks: (i) weather events, worsened by climate change; (ii) execution capacity, common to small island states; and (iii) fiscal constraints. Mitigation measures include strengthened fiscal institutions and disaster risk management, strategic monitoring of local market conditions for non-sovereign guaranteed operations and additional efforts to strengthen execution capacity. The required macroeconomic monitoring as part of the Bank's macroeconomic safeguards policy provides a form of monitoring the improvements of fiscal institutions; however, the Bank recently hired a full-time resident country economist to monitor fiscal developments more closely. Our Disaster Risk Management team is closely involved with the implementation of disaster risk management legislation as part of a policy-based loan series. A resident IDB Invest investment officer will continue to engage with the local private sector on market developments, and our operations team will closely follow execution progress and identify capacity constraints in implementing the current and future portfolio of operations.