

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**IDB COUNTRY STRATEGY
WITH
THE COMMONWEALTH OF THE BAHAMAS**

2010-2014

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This document was prepared by the Project Team consisting of: Oscar Spencer, (Country Office

Representative), Michael Nelson (CCB/CCB), Sharon Miller (CCB/CBH), Colin Forsythe (TSP/CBH); Ketleen Florestal (CCB/CCB); Jose Jorge Saavedra (CMF/CBA); Christiaan Gischler and Sylvia Larrea (INE/ENE); Evan Cayetano (WSA/CJA); Edwin Molina (RND/CJA) and Magda Theodate (VPC/PDP).

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ELECTRONIC LINKS TO BACKGROUND INFORMATION

Macroeconomic Risks	Macroeconomic Risks (<i>Internal Use Only</i>)
Managing Growth Studies	Managing Growth Studies
Water Sector Business Plan	Water Sector Business Plan
BEC Report	BEC Report
Trade Sector Note	Trade Sector Note
SME Business Climate	Roadmap for Improving the Business Climate for SMEs
Guidelines to Support PSD	Guidelines to Support Private Sector Development
FINPYME	FINPYME
Small Business Revolving Line	IIC Small Business Revolving Line

ABBREVIATIONS

BATELCO	Bahamas Telephone Company
BEC	Bahamas Electricity Company
BEST	Bahamas Environment Science and Technology Commission
BTVI	Bahamas Technical Vocational Institute
CARICOM	Caribbean Community and Common Market
CIDA	Canadian International Development Agency
CS	Country Strategy
DFID	Department for International Development
DSS	Department of Social Services
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GOBH	Government of The Bahamas
ICT	Information and Communication Technologies
ICZM	Integrated Coastal Zone Management
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IPP	Independent Power Provider
KCP	Knowledge and Capacity Products
LPIA	Lynden Pindling International Airport
MIF	Multilateral Investment Fund
MOE	Ministry of Education
MOTE	Ministry of the Environment
MOH	Ministry of Health
MOTA	Ministry of Transport and Aviation
MOWT	Ministry of Works and Transport
NIB	National Insurance Board
NIP	National Indicative Program
NSG	Non-Sovereign Guaranteed
OECD	Organization for Economic Cooperation and Development
PEFA	Public Expenditure and Financial Accountability
SG	Sovereign Guaranteed
SME	Small and Medium Enterprise
SPP	Small Power Provider
UNDP	United Nations Development Programme
WB	World Bank
WSC	Water and Sewerage Corporation
WEO	World Economic Outlook
WCO	World Customs Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

In the short to medium-term, The Bahamas faces the prospect of heightened transmission of the negative effects of the global financial crisis to the local economy, and an increased demand for public services. Tourism, the main driver of the economy, contracted for the third straight year reflecting weak economic conditions in the United States. Foreign direct investment inflows also slowed owing to tightened international credit markets sharply reducing capital inflows and exports. Consequently, restrained construction activity, lower occupancy rates and reduced visitor spending have spiked the unemployment rate to 14.1%. Although the financial services sector remains minimally exposed to financial contagion, the outlook is guarded. Growth forecasts have been reduced quite dramatically for the coming years and there is a concern regarding the availability of international capital.

To mitigate these adverse effects the Government of the Bahamas (GOBH) is rationalizing capital expenditures and employing countercyclical fiscal policy measures to stimulate the economy. Taking account of the country's own development agenda, the lessons learned from the implementation of past strategies, the recommendations of the Country Program Evaluation 2001-2008, and the fact that the GOBH has indicated its preference to use its own resources to address the social sector, the Country Strategy (CS) will focus on four priority areas: energy, water and sanitation, transport and SME development. The former three areas are critical components of the Government's capital investment program.

Sovereign-guaranteed (SG) lending to The Bahamas for the CS period 2010-2014 is estimated at US\$195 million and will include a mix of investment and policy-based instruments. Disbursements during the period for new and ongoing operations are projected to reach US\$221.6 million. Net cash flows from the Bank to The Bahamas are expected to remain positive during the period. Opportunities for non-sovereign guarantee (NSG) lending will arise from activities being carried out in the strategic priority sectors. In addition, as the economy rebounds, projects in the tourism sector, some of which have been put on hold, may re-emerge. Technical assistance and KCP products will complement lending activity in implementing the Country Strategy.

During the CS period, the Bank will determine with GOBH an action plan for transitioning to the use of country systems. The scope of the modernization required, will be assessed in accordance with the PRODEV diagnostic tools, as well as the OECD-DAC benchmarks for procurement and the Public Expenditure and Financial Accountability (PEFA) indicators for financial management, which could help measure improvements in the country's fiduciary systems. Further, through the use of PRODEV technical assistance, the Bank will support the improvement of results-based management programs and strengthening monitoring and evaluation systems.

COUNTRY STRATEGY RESULTS MATRIX

Country Development Goals ¹	IDB Strategic Objectives	Expected Results of the Strategy	Indicators	Baseline Values ²	Aspirational CS Targets ³
1. <u>Energy</u> A financially sustainable electricity sector, diversification of the energy mix, and adoption of policies to promote the use of renewable sources of energy. (M-2007, P.23)	1.1 Strengthen the technical, institutional and policy framework in the energy sector.	<ul style="list-style-type: none"> Institutional capacity for Energy Sector planning, including RE and EE, and policy formulation strengthened. 	<ul style="list-style-type: none"> Capacity building plan to provide training in energy sector planning and policy formulation developed and implemented. (Source: Reports of the MOTE) 	<ul style="list-style-type: none"> 0 in place in 2009. 	<ul style="list-style-type: none"> Plan prepared and implemented.
			<ul style="list-style-type: none"> National Energy Efficiency and Sustainable Energy policy developed. (Source: Reports of the MOTE) 	<ul style="list-style-type: none"> 0 in place in 2009. 	<ul style="list-style-type: none"> Policy formulated and adopted.
	1.2 Support the Bahamas Electricity Corporation (BEC) in achieving financial and operational sustainability.	<ul style="list-style-type: none"> BEC achieves financial and operational sustainability in the medium-term. 	<ul style="list-style-type: none"> Level of GOBH annual transfers to BEC. (Source: Reports of the MOTE) 	<ul style="list-style-type: none"> \$30.0 million. (2008) 	<ul style="list-style-type: none"> \$0
			<ul style="list-style-type: none"> Level of technical and non-technical losses. (Source: BEC Reports) 	<ul style="list-style-type: none"> Technical 8.0% (2007) Non-technical 17.5%. (2007) 	<ul style="list-style-type: none"> 20%
	1.3 Promote and support sustainable energy programs in The Bahamas, including Renewable Energy (RE), Energy Efficiency (EE) and Waste to Energy (WE) and energy conservation programs.	<ul style="list-style-type: none"> Energy Matrix includes RE alternatives. EE programs implemented. 	<ul style="list-style-type: none"> % of RE Capacity installed. (Source: BEC Reports) 	<ul style="list-style-type: none"> 0% RE. (2009) 	<ul style="list-style-type: none"> 10%
			<ul style="list-style-type: none"> % of energy saved in the system because of EE measures. (Source: BEC Reports) 	<ul style="list-style-type: none"> 0% e energy savings in EE. 	<ul style="list-style-type: none"> 5%
		<ul style="list-style-type: none"> Participation of Independent Power Producers (IPP), in energy matrix. 	<ul style="list-style-type: none"> Participation of IPP in RE or WE programs. (Source: BEC Reports) 	<ul style="list-style-type: none"> 0 (2009) 	<ul style="list-style-type: none"> 5
2. <u>Water and Sanitation</u> Improving the level of service and coverage of water supply and sanitation systems	2.1 Improve the operational and financial performance of the WSC.	<ul style="list-style-type: none"> WSC improves financial and operational performance in the medium-term. 	<ul style="list-style-type: none"> WSC's Operating Cost Recovery. (Source: Water Sector business Plan 2009) Level of GOBH annual transfers to WSC. (Source: WSC Records) 	<ul style="list-style-type: none"> 64% in 2008. \$24.0 million. (2008) 	<ul style="list-style-type: none"> 84% \$0
	2.2 Expand services and reduce	<ul style="list-style-type: none"> Reduction of non-revenue water. 	<ul style="list-style-type: none"> Reduction of Non-Revenue Water in 	<ul style="list-style-type: none"> 55 % in 2008. 	<ul style="list-style-type: none"> 45%

¹ Government objectives outlined in the Matrix are highlighted in the Throne Speech,(TS); 2008/2009 Budget Statement, (BS-08/09); 2008/09 Mid -Year Budget Presentation, (MBS-08/09); and Manifesto 2007 (M-2007)

² Unless otherwise indicated, the baseline indicators were derived from the diagnostic studies, Sector Notes, referred to in the electronic links, portfolio review documents and the National Budget. Progress on baselines will be monitored by the Bank and will be measured at least once (at end of strategy period); frequency of interim measurements will be determined during programming process.

³ These aspirational targets will be revised and/or replaced, on a case by case basis, through the programming documents elaborated throughout the Country Strategy period.

Country Development Goals ¹	IDB Strategic Objectives	Expected Results of the Strategy	Indicators	Baseline Values ²	Aspirational CS Targets ³
(M-2007, P.23)	physical losses.		<ul style="list-style-type: none"> New Providence. (Source: Water Sector business Plan 2009) Number of active connections. (Source: WSC Reports) 	<ul style="list-style-type: none"> 66,845 in 2008. 	<ul style="list-style-type: none"> 75,000
	2.3 Strengthen the legal and regulatory framework for the sector.	<ul style="list-style-type: none"> Legal and regulatory framework in place which separates regulator from service provider. 	<ul style="list-style-type: none"> Regulatory functions are separated from the provision of services. (Source: WSC Reports) 	<ul style="list-style-type: none"> Functions not separated in 2009. 	<ul style="list-style-type: none"> Legislation separating regulatory and service provision functions prepared and adopted.
3. Transport Improve inter and intra-island transport services across the archipelago in order to strengthen social and economic linkages and support tourism development. Provide relief from traffic congestion in New Providence (M-2007, P.23 & 24)	3.1. Improve level of coverage and quality of land transport services.	<ul style="list-style-type: none"> Traffic capacity of main road network expanded/upgraded. 	<ul style="list-style-type: none"> Volume /Capacity ratio of road network during peak hours. (Source: CONTRAM model of MOWT) 	<ul style="list-style-type: none"> 0.90 (2008) 	<ul style="list-style-type: none"> 0.80
		<ul style="list-style-type: none"> Public transport services and road safety improved through implementation of 10-yr Transport Development Plan. 	<ul style="list-style-type: none"> Reduction of the number of road crashes/incidents. (Source: Road Traffic Department Records) Transport Development Plan (2006 – 2015) implemented. (Source: Transport Policy and Planning Unit) 	<ul style="list-style-type: none"> 10,320 (2008) 30% (2009) 	<ul style="list-style-type: none"> 8,772 90%
	3.2 Strengthen institutional framework for integrated transport policy formulation, long-term planning and management.	<ul style="list-style-type: none"> Transport sector planning capability and institutional capacity in road maintenance management strengthened. 	<ul style="list-style-type: none"> Plan in place for conducting annual and periodic road maintenance functions in the sector. (Source: Records of the MOWT) 	<ul style="list-style-type: none"> 0 plan in place in 2009 	<ul style="list-style-type: none"> Plan operational.
		<ul style="list-style-type: none"> Increased participation of private contractors in provision of routine road maintenance services. 	<ul style="list-style-type: none"> % of road network systematically maintained by private sector. (Source: Reports of the MOWT) 	<ul style="list-style-type: none"> 0 (2009) 	<ul style="list-style-type: none"> 40%
	3.3 Strengthen Air transport sector policy-formulation, planning and management.	<ul style="list-style-type: none"> New institutional, legal and regulatory structure in place for the air transport sector. 	<ul style="list-style-type: none"> Independent Civil Aviation Agency and Airports Authority responsible for regulation and operations respectively. (Source: MOTA) 	<ul style="list-style-type: none"> Both functions carried out by the Civil Aviation Department (2009) 	<ul style="list-style-type: none"> Regulatory and operational mandates fully separated.
		<ul style="list-style-type: none"> Increased participation of private operators in airport infrastructure management. 	<ul style="list-style-type: none"> Participation of private operators in airports infrastructure management. (Source: Reports of the Civil Aviation Dept) 	<ul style="list-style-type: none"> 2 (2009) 	<ul style="list-style-type: none"> 4
4. SME Development To promote institutions that	4.1 Productive development policies and business climate reforms to support SME development.	<ul style="list-style-type: none"> Regulatory/institutional framework in place for SME development. 	<ul style="list-style-type: none"> Policy and institutional framework in place to improve business environment and promote SME development through a more effective provision of financial and non-financial Business 	<ul style="list-style-type: none"> 0 in 2009 	<ul style="list-style-type: none"> Policy and institutional framework approved and implemented.

Country Development Goals ¹	IDB Strategic Objectives	Expected Results of the Strategy	Indicators	Baseline Values ²	Aspirational CS Targets ³
support productive development Improve government responsiveness to private sector (M-2007: P6) (MBS-08/09, P15)			Development Services. (Sources: consultant Report; Doing Business Report)	<ul style="list-style-type: none"> SME contributes 5.3% to GDP (2006) 	<ul style="list-style-type: none"> SME contributes above 6.5% to GDP.
		<ul style="list-style-type: none"> Public-Private action plan to support SME development. 	<ul style="list-style-type: none"> Action plan for the implementation of productive development policies and business climate reforms approved and implemented. (Source: Consultant Report) 	<ul style="list-style-type: none"> No formal Public-Private Dialogue council in place. No action plan available. 	<ul style="list-style-type: none"> Formal Public-Private Dialogue council established. Action plan approved and partially implemented.
		<ul style="list-style-type: none"> Improved relevance of and access to training programs for SMEs. 	<ul style="list-style-type: none"> Established permanent mechanism to assess labor needs by sector. (Source: Records at the Dept. of Labor) 	<ul style="list-style-type: none"> No mechanism in place⁴. 	<ul style="list-style-type: none"> Mechanism established and functioning.
			<ul style="list-style-type: none"> % of SMEs receiving some form of professional external training in Small Business Management, Business Negotiations and Preparation of Business Plans. (Source: consultant Report) 	<ul style="list-style-type: none"> 38% of SMEs used some of these forms of external training. (2006)⁵ 	<ul style="list-style-type: none"> 45% of SMEs using some of these forms of external training.
		4.2 Improve and facilitate access to trade.	<ul style="list-style-type: none"> Improved trade logistics and trade facilitation by reducing the time and cost to comply with trade requirements with emphasis on the establishment of an Electronic Single Window. 	<ul style="list-style-type: none"> Customs procedures based on World Customs Organization standards upgraded. (Source: Reports of the Dept of Customs) 	<ul style="list-style-type: none"> Standards do not meet the requirements of the World Trade Organization.
	<ul style="list-style-type: none"> Integrated trade facilitation system in place. (Source: Reports of the Dept of Customs) 			<ul style="list-style-type: none"> No ESW in place. 	<ul style="list-style-type: none"> ESW established and functioning.
	<ul style="list-style-type: none"> Strengthened sector capacity to develop and implement a trade strategy. 		<ul style="list-style-type: none"> Trade strategy⁶ in place to promote regional integration and international trade. (Source: Trade Desk, MOF) 	<ul style="list-style-type: none"> No integrated strategy available. 	<ul style="list-style-type: none"> Integrated strategy approved and implemented.
			<ul style="list-style-type: none"> Capacity Building plan for the trade sector implemented. (Source: Trade Desk, MOF) 	<ul style="list-style-type: none"> No plan available. 	<ul style="list-style-type: none"> Capacity Building plan developed and implemented.

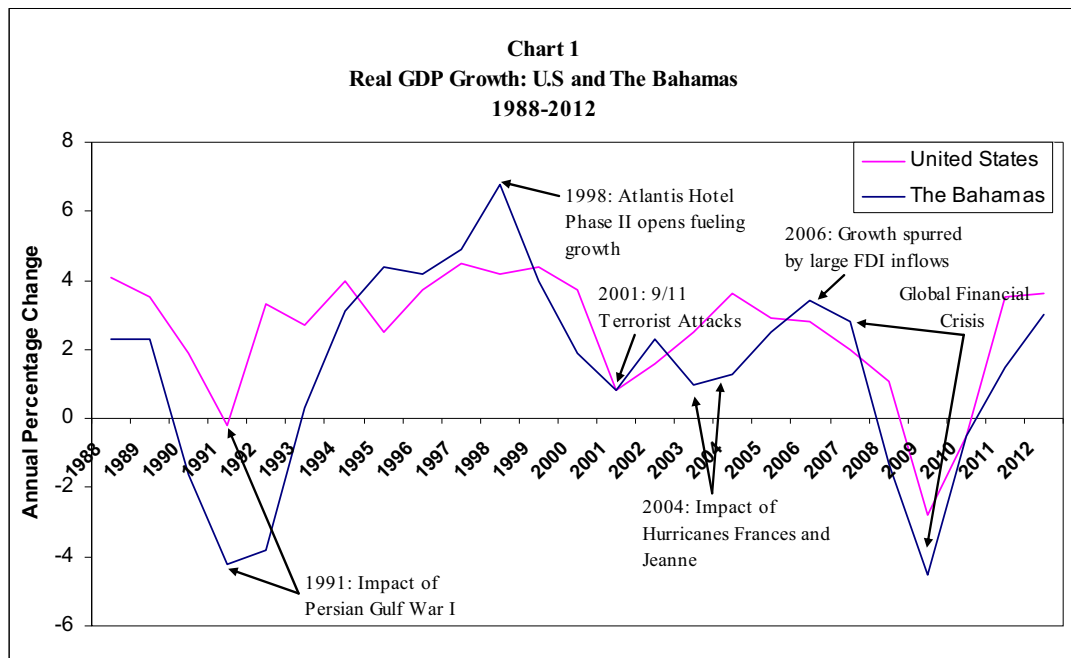
⁴ According to a survey conducted among business owners and managers of SMEs in 2006, 21% identified the lack of adequate professional training courses as the major constraint to SME development.

⁵ The survey indicates that no more than 38% of established Bahamian SMEs used some sort of external training facility in 2006. This figure is considerably lower than in Latin American countries, like Argentina (62%), Bolivia (75%), Chile (53%), Costa Rica (87%), El Salvador (48%) or Panama (43%).

⁶ The trade strategy would include an action plan to strengthen the capacity for trade strategy formulation and policy-making, including negotiation and implementation of liberalization agreements and support to trade related institutions.

I. COUNTRY CONTEXT

1.1 The Commonwealth of The Bahamas' history of sound economic management, political stability and close proximity to the world's largest consumer market has resulted in steady economic growth. The Bahamas maintains a fixed exchange rate regime and one-to-one peg with the United States dollar given the high economic and financial ties to its larger neighbor. Nevertheless, the economy is dependent on the performance of the United States and accentuated by a high concentration of domestic production.⁷ Such dependency has been beneficial but also the Achilles heel of the economy. Over the last twenty years the Bahamian economy has been characterized by periods of fast US market oriented, tourism investment-led growth interspersed with periods of lower growth associated with exogenous shocks (see Chart 1).



Source: IMF

1.2 The international financial crisis has posed real risks for the economy. Growth forecasts for The Bahamas have been reduced dramatically⁸ to -3.9 % in 2009 and -0.5% in 2010 (IMF 2009) and there is a serious concern regarding the availability of international capital. Tourism's contribution to GDP is estimated at 61% considering indirect and induced effects, yet its output decreased for the third straight year as visitor arrivals contracted by 4.5% in 2008 responding to developments in the US market, which accounts for an estimated 87% of total arrivals. With the resultant lower occupancy rates and reduced visitor spending, unemployment has risen from 7.9% in 2007 to 14.1% in 2009. In the construction and real estate sectors, activity

⁷ Population of The Bahamas is estimated at 330,000. New Providence, where the capital Nassau is located, and Grand Bahama Island account for 85% of the population and 88% of national economic activity (IDB 2008). The remainder of the population is spread across 20 Family Islands.

⁸ Central Bank of The Bahamas estimates GDP contraction of -3.5% for 2009.

also contracted sharply amid the falloff in foreign investment projects while the outlook for the offshore financial sector remains guarded⁹ (Annex I provides information on the Macroeconomic Outlook Indicators).

- 1.3 Subdued domestic activity intensifies fiscal pressures as the government rationalizes expenditure on public enterprises and employs countercyclical measures to revitalize the economy. A disproportionate burden from the capital budget reduces the country's ability to maintain efficient transport, communications and public services. Two utility companies (Bahamas Electricity Corporation, BEC, and Water and Sewerage Corporation, WSC), together with the deficit financing for Bahamasair, the nationally owned airline, absorb some 30% of the allocations in the capital budget (GOBH 2009). Furthermore, rising social costs have increased demand for public services while declining stimulus from private sector credit provides little public sector relief and adversely affects operating trends of private sector establishments.¹⁰
- 1.4 As government expenditures outpace falling revenues, the growing deficit will be financed through divestment proceeds¹¹ and new borrowing considering that the low levels of Total Public Debt and Public External Debt (39.9% and 5.5% of GDP respectively) shield the country from external instability under standardized shocks (see Electronic Links – Macroeconomic Risks).

II. THE IDB IN THE BAHAMAS

- 2.1 Although the IDB is the most active of the multilateral institutions in The Bahamas, its financial contribution to the national budget is small. Over the past strategy period, IDB disbursements accounted for 0.1% of GDP, 0.6% of total government spending and 3.6% of capital spending. Notwithstanding the size of its financial contribution, the Bank is viewed by The Bahamas as a valuable source of knowledge, sector and project management expertise on which the Government can rely.
- 2.2 The main feature of the 2003-2007 Strategy was a deliberate shift away from the traditional support for large infrastructure programs to smaller projects with high technical assistance content. Total approvals from 2003-2007 amounted to US\$47 million and disbursement during the period totaled US\$32.5 million, representing an annual average of US\$6.5 million – equivalent to 10 percent of the annual outstanding balance. IDB debt service accounted for 3.6% of total debt service in 2008.
- 2.3 The Bank's current portfolio in The Bahamas covers three principal areas: transport, education and land use planning. While the number of operations in the portfolio has been reduced, the value of the portfolio in terms of approved Loans has increased by more than 50%, to US\$165 million and with an un-disbursed balance of US\$115

⁹ Despite minimal direct exposure of this sector to financial contagion, industrialized nations are increasing efforts to ensure The Bahamas' (and other jurisdictions) compliance with international standards for the exchange of tax information.

¹⁰ Declining private sector credit is symptomatic of reduced demand and tightened lending policies by domestic private banks. However, local banks remain adequately capitalized.

¹¹ The process to privatize 51% of the Bahamas Telecommunications (BTC) is currently underway and GOBH is reviewing proposals from interested buyers. Divestment is expected to reach completion in early 2010.

million.¹² There were no non-sovereign guaranteed (NSG) operations approved in The Bahamas during the period.

- 2.4 Technical Assistance and Knowledge and Capacity Products (KCP) with a total value of about US\$2.4 million are in the areas of sustainable tourism development, trade and negotiating capacity and more recently, strengthening the energy sector in the Bahamas. (Annex II provides experiences and lessons learned in the implementation of the previous country program).

III. PRIORITY SECTORS FOR BANK SUPPORT 2010-2014

- 3.1 The sectors identified for Bank's support under the new strategy reflect the Bank's institutional priorities and are aligned with the priorities of the Government of The Bahamas (GOBH). Priority areas were determined based on the ongoing strategic dialogue between the Government and the Bank, extensive diagnostic work and the lessons learned from the implementation of past strategies. Of the four sectors identified – energy, water and sanitation, transport, and SME development¹³ – heavy emphasis is placed on infrastructure development given the projected medium term needs of approximately US\$1 billion (See *Electronic Links – Managing Growth Studies*). This new focus is a departure from the previous strategy, which emphasized capacity building and knowledge transfer, and is aimed at lowering transaction costs through economies of scale, increasing employment opportunities generated by infrastructure works and having a counter-cyclical impact on economic activities. The Bank will complement its focus on infrastructure with a program of technical support geared towards enhancement of the country's adaptive capacity and resilience to the effects of climate change.¹⁴ Bank efforts aimed at enhancing competitiveness of the smaller-sized local enterprises (which make up a majority of the local private sector) are urgent given the country's plans to increase participation in international trade agreements during the strategy period (For a more detailed analysis of the sectors and the rationale behind agreed areas of support, see the *Electronic Links and Background Information* prepared for this strategy).¹⁵

A Energy

- 3.2 All commercial energy is derived from imported oil products. With new capacity not being rapidly implemented, increasing demand (3% to 4% p.a.) has led to intermittent power outages. There is also a need for access to reliable energy, especially in the Family Islands. However, both would require changes in the current state monopoly in electricity supply and an energy policy framework that provides appropriate incentives

¹² The \$100 million Supplementary Financing for the New Providence Road Project (approved in 2008) which is only 14.8 percent disbursed, contributes significantly to the large undisbursed balance.

¹³ Although not included as a priority sector, it is expected that tourism-related projects will re-emerge, thereby creating additional opportunities for the NSG windows.

¹⁴ 80% of the country's landmass lies within 5-6 feet of mean sea level. Estimates of the potential impacts of climate change on The Bahamas ranges from US\$0.2 billion to US\$0.62 billion by 2025.

¹⁵ Other ongoing activities from the previous strategy period will support the Government's efforts to improve the timely and efficient delivery of public services and promote social development in the education and health sectors.

for conservation and the adoption of alternative technologies. On the institutional side, there is also the need to strengthen capacity in Energy Sector planning and policy formulation, including Renewable Energy (RE), Waste to Energy (WE) and Energy Efficiency (EE) alternatives.

- 3.3 Additionally, BEC, the principal supplier and distributor of electricity in The Bahamas (85% of total demand) currently operates under liquidity constraints resulting from (i) reduction of electricity tariffs, in real terms; (ii) elevated fuel costs; and (iii) increase on non-billed electricity. Furthermore, investments are biased towards deepening the dependence on fossil fuels. One of the main objectives of the technical assistance provided by the IDB will be to support BEC in achieving financial and operational sustainability.
- 3.4 The Bank, leveraging its vast experience and knowledge of the sector, will focus in three areas: (i) strengthening the legal and regulatory framework required to induce investments in alternative energy: RE (including technical studies on wind, solar, waste and tidal power options), WE, and in EE programs. This also serves as incentive for increasing generation capacity (including the introduction of RE and WE options to minimize the need for new fossil fuel generating plants), as well as participation of private Independent Power Producers (IPPs) and Small Power Providers (SPPs) of renewable energy in the sector; (ii) supporting BEC in achieving financial and operational sustainability while reducing technical and non-technical losses; this may comprise technical assistance and loss-reduction priority investments either sequentially or in parallel; and (iii) increasing transmission and distribution capacity to meet a growing demand. Opportunities for NSG financing could result from activities carried out in (i)-(iii) above.
- 3.5 The risks of the proposed strategy in this sector are: (a) waning stakeholder interest if oil prices drop significantly, which may slow momentum and efforts to switch to alternative sources of energy; and (b) an institutional and policy framework that provides insufficient incentives to promote public-private sector investments in alternative energy. In either case, the commitment of GOBH to move forward in the reduction of fossil fuel dependency is very strong and will help to mitigate this risk.

B Water and Sanitation

- 3.6 The water and sanitation sector is hampered by an inappropriate governance framework and expensive public service provision. The Water and Sewerage Corporation Act (WSC Act) of 1976 established the WSC, a statutory body wholly owned by Government that is charged with service provision as well as regulation of the water and sanitation sector. Although WSC does not carry out these regulatory functions fully, the legal and regulatory framework should separate regulation from service provision. Additionally, while WSC supplies water to only 30% of the potential clientele, it is losing market share to private operators and consumers (tourist developments) who source their water from private wells. Due to the limited availability of safe groundwater, unregulated use of private wells may have a significant impact on the sustainability of the sector as well as serious environmental and health consequences.

- 3.7 The Corporation is dependent on funding from the Government to cover operating losses; the latter reduces the amount available for capital expenditures. This reduction in capital expenditures (including commercial-loss reduction equipment), particularly in New Providence, has contributed to a high and rising level of non-revenue water (55% in 2008) as well as a deteriorating physical infrastructure. The Corporation's direct cost of water production has increased as its reliance on the more expensive reverse osmosis modality tripled since 2000 as a percentage of total production (58% in 2008). Conversely, WSC's tariffs – last increased in 1999 – have fallen below the company's cost of service. Therefore, GOBH has prioritized the financial restoration and infrastructure upgrading of the WSC as part of a larger objective of achieving sustainable provision and coverage of water and sanitation service in The Bahamas.
- 3.8 During the strategy period the Bank will focus on: (i) supporting a review of the legal and regulatory framework of the sector that produces an appropriate governance structure; and (ii) improving WSC's operational and financial performance through increasing its operating margins, decreasing non-revenue water volumes and enhancing its corporate governance, among others. Investment financing will be: (a) preceded or accompanied by resources to improve WSC's governance, financial and operational performance; and (b) focused on loss reduction. NSG financing in the water sector will be based on an acceptable legal and regulatory environment as well as the creditworthiness of WSC and private operators.
- 3.9 The risk to the proposed approach is the lack of stakeholder commitment and/or delays in the implementation of the proposed interventions, in which case broader Bank financial support may be hindered during the strategy period. To mitigate this risk, the Bank will continue to actively engage Government and key stakeholders in order to maintain commitment to the reforms.

C. Transportation

- 3.10 The sector diagnostic has identified significant gaps in the quality and level of coverage of road and air transport in The Bahamas. In New Providence the road network is inadequate to cope with existing demands leading to serious traffic congestion and resulting in significant increases in travel time. The public transport system is disorganized and the quality of service below the level expected in a modern, well functioning system. In addition, weaknesses have been identified in the policy formulation, planning, and management capabilities in key sector agencies and departments. In the road transport sector therefore, the Bank through its ongoing program will maintain its focus on: (i) financing public investments to bring about improvements in road infrastructure; (ii) accompanying these changes with increased transport planning capability and improved road safety; and (iii) supporting viable schemes to increase private participation in the provision of road maintenance and organized operation of public transport services.
- 3.11 Air transport is critical to the health of the tourism industry, representing the prime mode of transport of stopover tourists. It also plays a pivotal role in ensuring accessibility for the population of the Family Islands to goods and services offered only in New Providence. In the air transport sector, Bank support will focus on: (a) the institutional, legal and regulatory reforms necessary to raise and maintain

operational safety and security to internationally accepted standards; and (b) increased private participation in the sector (including viable PPP schemes) for the modernization of airports infrastructure. The Bank's NSG windows would be in a position to provide support to these schemes.

- 3.12 A major risk in the transport sector to the ongoing interventions is associated with the occurrence of extreme weather events, such as hurricanes, during the strategy period. These events are costly and may put transport investments and their expected benefits at direct risk, in which case the strategy will need to be revisited and re-prioritized while providing a quick response to such event. Integrating adaptation measures in the design of new infrastructure will help to mitigate risks associated with natural disasters. A further risk is the delay in implementing institutional and policy reforms in the air transport sector. Technical assistance provided under the program to strengthen institutional capacity and build ownership will help to mitigate this risk.

D. SME Development

- 3.13 An estimated 90% of registered businesses have fewer than twenty employees. Bank-funded analysis of the sector revealed that Small and Medium Enterprises¹⁶ (SME) face several obstacles in the business environment that restrict their growth. Less than 50% of the well-established SME's surveyed had access to commercial bank loans and very few made use of training and business development services. Additionally, a complex system of land administration elevates transaction costs for doing business and weak trade-facilitation mechanisms restrain SME access to external markets. Given these circumstances, SME's engage in low-productivity services in less technology and knowledge-intensive areas.
- 3.14 Bank support for SME development will focus on productive development policies and business climate reforms, including the following elements: (i) helping to streamline the process of opening, registering and operating businesses through a Public-Private action plan to be prepared; (ii) assisting in the design of a policy and institutional framework that improve business development services for the sharing and dissemination of information, and increased inter-firm collaboration and clustering; and (iii) providing technical assistance to public second-tier institutions to improve their relevance, as well as access to training programs for SMEs. MIF will continue to support competitiveness enhancement initiatives for SMEs being promoted by the country's private sector organizations. The Inter-American Investment Corporation (IIC) will support SME's through its FINPYME program and IIC Small Business Revolving Line.¹⁷
- 3.15 The Bank will also continue to provide support to The Bahamas to improve and facilitate access to trade through: (a) modernization of trade logistics and trade facilitation services, with emphasis on the establishment of an Electronic Single

¹⁶ No uniform definition for SME exists but given the size of the economy, SMEs refer to firms with a maximum annual turnover below \$5 million.

¹⁷ The FINPYME program performs diagnostic reviews of selected SME's as the basis for the preparation of business plans that could be subsequently used in approaching the banking sector for financial support. The SBRL provides direct, fast-disbursing, medium term financing working capital and fixed investment for eligible SME's.

Window; (b) update and improvement of customs procedures based on World Customs Organization standards to meet the requirements of the European Union, United States, and World Trade Organization; and (c) support the coordination and implementation of the country's trade-policy agenda, including areas related to negotiation and implementation of agreements, as well as to provide support to trade related institutions.

- 3.16 The risks to this sector are: (i) lack of a sustained commitment to the inter-institutional collaboration necessary to adequately prepare the private sector to take advantage of increased access to global markets; and (ii) inability to implement recommendations to upgrade the Customs procedures, which would hinder SMEs' external competitiveness. The creation of a robust and permanent forum for public-private dialogue on competitiveness issues to maintain interest and implement competitiveness related reforms will help to mitigate these risks.

IV. BANK FINANCING UNDER THE STRATEGY

- 4.1 **Sovereign and Non-Sovereign Guaranteed lending:** The Government and the Bank estimate total sovereign lending at \$195 million under the 2010-2014 strategy. The increased lending is due to the significant infrastructure investment needs, as well as support for policy reforms. The new envelope however, is only slightly higher than the country's historical average (0.4% of the Bank's total lending over the 2003-2007 period). In terms of sequencing, sovereign guaranteed lending will proceed early in the strategy period in order to improve the conditions for NSG lending later in the strategy period.
- 4.2 The proposed financial envelope was estimated based on joint agreement of the Bank's contribution to infrastructure investment needs and support for policy reforms, and is consistent with the Bank's historical contribution to total capital inflows to The Bahamas. Over the period the country's external debt is expected to rise from approximately 7% at the beginning of 2010 to 10.2% by year-end 2014, of which the Bank's share will remain in the range of 24% to 27%. On the basis of preliminary projections, the amount to be disbursed during the period 2010-2014 totals US\$ 221.6 million, with average annual disbursements of US\$44.3 million, including ongoing operations. The share of IDB debt service in the country's total debt service averages less than 4% and the ratios of IDB and total debt service to exports in The Bahamas remain low during the strategy period.¹⁸
- 4.3 **Technical Assistance and Knowledge and Capacity Products** (approximately US\$4.4 million) will be deployed of a range of financial and non-financial instruments with highly specialized technical expertise in the four priority sectors.

¹⁸ In addition to the relatively low historical levels of external debt, multilateral share of external debt is only 22.3%. The IDB's share of multilateral debt is 97.9%, while The Caribbean Development Bank and European Union account for 1.2% and 0.8% respectively.

V. STRATEGY IMPLEMENTATION

- 5.1 **Lessons learned:** In keeping with the lessons learned from the previous strategy, Bank engagement with the Government during the new strategy period will be characterized by firm agreements that reflect buy-in and emphasize commitment to specific timelines, to ensure the timely and effective delivery of the Country Program. From a strategic standpoint, the Bank will focus not only on projects with high technical content but also on projects of the size and scale that allow for timely and cost effective design and implementation. Emphasis will also be placed on addressing the constraints that hamper the pace of project execution. This will include simpler designs and the use of a risk-based monitoring and supervision framework that will allow for easier monitoring and decision-making. The gradual transition to the use of country systems and the move from ex-ante to ex-post procurement and disbursement will help to speed up project implementation during the strategy period. From a planning perspective, and in the absence of a well defined medium-term planning framework, the Bank will adopt and maintain, as part of the future dialogue and programming process, a very sharp focus on the sectors and programs identified as high priorities at the highest-level in Government. This should ensure lasting stakeholder commitment and result in a more efficient allocation and use of resources.
- 5.2 **Results and Monitoring Framework.** The Country Strategy will be reviewed periodically and during transition in Government in order to ensure continuity with the strategic focus and to monitor risks that could affect strategy implementation. The Country Strategy Results Matrix will be used to track progress on the achievement of the Country Strategy's outcomes. The baseline indicators derived from diagnostic studies and sector notes, as well as progress indicators to be determined during the programming process when specific programs are identified, will be used to monitor the achievement of project and country strategy expected results. A risk-based approach will be used in developing the monitoring framework and both the Government and the Bank will agree on the indicators to be tracked. The Government and the Bank will also carry out joint periodic reviews in order to note progress and update the results and monitoring framework.
- 5.3 **Use of Country Systems.** In The Bahamas, Bank operations are generally executed through project implementation units established as entities with parallel functions to those of line ministries and agencies. With this type of arrangement, fiduciary and operational controls are carried out with the use of the IDB's procedures, often requiring the ex-ante approval of activities in support of programs financed by the Bank. For more recently approved operations, Government has expressed the desire to adopt a matrix structure in the implementing arrangements with the expectation that this approach will reduce costs, avoid anomalies amongst public sector entities and lead to greater dependence and eventual move to the use of country systems for Bank-financed projects. In advancing this approach, and also in recognition of the overall need to strengthen national systems, Government has initiated its own modernization program, and has commenced dialogue with the Bank and other agencies for technical assistance to help streamline and improve its systems. Through the PRODEV facility, the Bank will support the Government in the strengthening of results-based

management system by facilitating the preparation of an Action Plan and supporting specific activities to strengthen national systems in the priority areas established by Government, including procurement, financial management, information data system and monitoring and evaluation. Progress in the move to country systems will be reviewed on an annual basis with a view of transitioning to the use of these systems for Bank financed projects in the priority sectors.

- 5.4 *Procurement Systems* although not fully in line with international best practices, national systems appear sound and are conducive to the achievement of the basic principles of fairness, transparency, and accountability. The two major pieces of legislation that govern public procurement in the Bahamas¹⁹, need to be updated and the institutional and regulatory framework to improve Government's procurement systems further modernized and streamlined. Government has already taken the first set of actions to build up its procurement system by documenting existing public policies and procedures, with support provided by the Bank. During the Strategy period, the Bank also will also support Government in determining the scope of the modernization required, in accordance with appropriate diagnostic tools, such as the OECD-DAC benchmarks for procurement. Implementation of the Actions Plans developed will be supported through the use of PRODEV technical assistance.
- 5.5 *Financial Management Systems.* Strengthening public financial management is also a key part in the move to the use of Country Systems. Results of the PRODEV diagnostic tool reveal that The Bahamas operates a central expenditure approval system divided into sub-systems which are not fully integrated with public investment, and that Bank financed projects are operated through this central budget and expenditure system. With respect to auditing, some Bank financed projects are audited by external auditors. During the strategy period the Bank will work towards having the Supreme Audit Institution conduct the audit of all projects. The PEFA assessment tool will be used to determine the full scope of the modernization required and the Bank will agree with the Government on an Action Plan for strengthening the country's financial systems. Indicators developed will measure improvements as the modernizations efforts are undertaken.
- 5.6 *Project Management and Monitoring and Evaluation,* Government has articulated the need to improve the overall framework for project management and to build the institutional capacity to continuously monitor public sector performance. Systems currently in place are not as robust as they should be and do not have adequate mechanisms for data collection to facilitate evaluation and continuous monitoring. During the Strategy period the Bank, in keeping with the pace indicated by Government, will (a) support the strengthening the framework for evaluating performance; and (b) support the implementation of a comprehensive Management for Results strategy.
- 5.7 **Donor Coordination.** Apart from the IDB, there are only a few other development partners that are active in The Bahamas with no formal coordinating mechanism among them in place. Among the multilateral institutions, the Bank continues to play

¹⁹ The Financial Administration and Audit Act 1973 for procurement by central government, and the Local Government Act of 1996 that supports procurement for the Family Islands.

the most active role as the principal lender to The Bahamas. The other multilateral institutions are the European Union and the Caribbean Development Bank.²⁰ Together they provide financing for infrastructure projects, (roads and ports) generally in areas where the Bank is not present, usually in the Family Islands. Given the significant infrastructure needs as outlined earlier, the Bank will explore opportunities for collaboration and co-financing of projects during the strategy period.

- 5.8 Of the other development partners that are present in The Bahamas, there is active collaboration among institutions which are part of the Inter-American system - the Inter-American Institute for Corporation in Agriculture (IICA), the Pan-American Organization (PAHO) and the Organization of American States (OAS).²¹ However, given the focus on infrastructure development during the new strategy period, there will be limited opportunities for collaboration.

VI. RISK ASSESSMENT

- 6.1 **Macroeconomic Risk.** The Bahamas' recovery is closely dependent upon the speed and strength of recovery of the US economy. The latest regional outlook published by the IMF (WEO October 2009) also projects a protracted effect of US unemployment on tourism to the Caribbean. This gives credibility to the probability of a slower recovery scenario of -1% in 2010 and 1% in 2011 for The Bahamas (see Electronic Link – Macroeconomic Risk). In such circumstance, and subject to debt-sustainability parameters, the Bank's financing envelope may be further increased and/or the country programming associated with the strategy may be adjusted towards supporting further structural reforms. The Country Team estimates that additional needs could reach US\$221 million. This scenario is based on a specific projection of the US economy and implies an increase of public debt to 45% in 2010 and 49% in 2011. Under such circumstances, the Bank could make additional US\$50-\$100 million available.
- 6.2 **Natural Disaster Risk.** The Bahamas is highly vulnerable to the occurrence of extreme weather events whose intensity increases with the cumulative effect of climate change. Natural, economic and social resources can be rapidly and irreversibly destroyed, leading to the re-direction of resources for emergency response and reconstruction activities and therefore departing from the proposed strategy.²²

²⁰ The Bahamas graduated from the World Bank borrowing eligibility in 1989.

²¹ The areas of focus of these institutions are as follows: IICA - Agriculture Policy formulation, Agricultural Health and Food Safety Systems, and Trade Promotion and Competitiveness in Agribusiness; PAHO - Health Systems and Services Strengthening, Health Promotion and Disease Prevention and Health and the Environment; OAS - Institutional and Human Capacity Development in the tourism, education and environment sectors. During the previous strategy period collaboration was in the area of Agribusiness Development and Health Sector Planning with IICA and PAHO respectively.

²² To help mitigate these risks, the Bank will provide technical assistance to the Bahamas Environment Science and Technology Commission (BEST) to strengthen its environmental planning, monitoring and oversight capacity, and streamlining of adaptation and mitigation measures to climate change. The Bank will also provide support in the preparation of Risk Indicators, and in building awareness towards preparation of an Integrated Disaster Risk Management.

Annex I

Key Macroeconomic Outlook Indicators: 2009-2014 Period

	2009	2010	2011	2012	2013	2014
Real GDP growth (baseline) (%)	-3.9	-0.5	1.5	3.0	2.0	1.8
Foreign Direct Investment (% of GDP)	5.8	6.6	7.4	7.4	7.4	7.4
Inflation (%)	1.8	0.6	0.2	0.4	1.0	1.5
Current Account Balance (% of GDP)	-9.4	-10.3	-11.3	-9.9	-9.7	-9.9
Capital Expenditures (% of GDP)	3.3	3.3	3.3	3.3	3.4	3.4
Government Debt (% of GDP)*	39.9	44.3	48.0	50.4	52.7	54.4
External Public Debt (% of GDP)	6.9	9.9	10.1	10.2	10.2	10.4
IDB Exposure (%)**						
IDB debt service/total debt service (30%)	3.9	3.8	3.4	3.6	3.6	3.6
IDB debt /external debt	27	22	25	25	24	25
IDB debt service/exports (8%)	0.3	0.3	0.2	0.3	0.3	0.3
External debt service/exports	0.9	4.2	3.3	3.3	3.3	3.3
IDB exposure (18%)	0.1	0.1	0.1	0.1	0.1	0.1

Source: Central Bank of The Bahamas, IMF, IDB

* Public Sector only

** Thresholds are given in parentheses

Annex II

Past Strategy, Portfolio and Lessons Learned

A. The Bank's Country Strategy 2003-2007

- The main feature of this past Strategy was a deliberate shift away from the traditional support for large infrastructure programs to smaller projects with high technical assistance content and more emphasis on the social, environmental and public sector reform areas. The Strategy focused on the following thematic areas: (i) private sector development; (ii) improvement of environmental management and natural resource conservation; (iii) promotion of social development and equity; and (iv) public-sector modernization.
- The CS acknowledged the intrinsic risk of the new approach, given that the focus would be on the use of loan resources to achieve up-front impact on policy, planning and institutional capacity building – areas in which the Bank has had difficulty in the past. Given this approach, the Bank's combined portfolio of Knowledge and Capacity Products (KCP) and Multilateral Investment Fund (MIF) programs increased by 60% over the previous five years from US\$1.5 million to US\$2.4 million.²³ The central focus of these operations was on building capacity and transferring knowledge.
- Whilst the four areas of strategic importance all proved to be very relevant during the strategy period with the identification of a pipeline of some twelve projects, by the end of the strategy period only six of these projects were developed and approved, with two subsequently canceled, prior to contract signature. These projects were not considered priorities of the new Government. Average loan size approved during the period decreased from about US\$23 million in the previous strategy period to around US\$7.9 million in the 2003-2007 period.
- **The relatively large pre-existing portfolio of approximately US\$102 million dominated program activity.** Implementation of the program was consistent with strategic objectives but not in accordance with original timeframes and results have been mixed. Total approvals during the period amounted to US\$47 million out of an envelope of US\$151 million, with environmental management accounting for 54% of the portfolio while the remainder was attributable to interventions in education and land use policy and administration. Disbursement during the period totaled US\$32.5 million, representing an annual average of US\$6.5 million equivalent to 10% of outstanding balance and way below the Bank's average. This performance was much lower than expected due in part to contracting problems encountered in the New Providence Transport Program. These issues have now been resolved and construction activities are progressing satisfactorily.

B. Development Impact

- The Strategy contributed to certain development outcomes and the transfer of technical expertise in areas that will contribute to the improved use of land resources through the simplification of the historically complex system of land use policy and registration; standard design for sea defenses; improved management of solid waste as well as the restoration of critical infrastructure and economic activity in the aftermath of the 3 major hurricanes that hit

²³ Of the total US\$2.4 million approved during the period, US\$2.05 million was approved in 2005 and US\$1.8 million of that amount corresponded to 2 MIF projects.

the country in the 2-year period 2004-2005. By incorporating better design standards and specifications, the infrastructure projects have contributed to building resilience and mitigating the country's vulnerability to natural hazards. Many of these programs benefitted the Family Islands, a key feature of the Strategy which focused on the promotion of development of these islands that are lagging in development status. Protracted execution delays however have impeded the completion of some programs by several years²⁴ thereby delaying the delivery of benefits and the achievement of some development outcomes.

C. Lessons Learned and Recommendations

- **Strategic focus and pipeline development.** It is now clear that the strategic approach of an operational program based solely on smaller projects and greater technical assistance in a variety of areas was not as optimal as originally envisioned. Implementation of these projects involved relatively high fixed transaction costs borne by both the Bank and the country that constrained and delayed all stages of project preparation and execution. The Bank should therefore focus not only on projects with high technical content but of the size and scale that allow for the timely and cost effective design and implementation of projects in order to achieve of project development objectives.
- Evidently, it is also clear that the traditional method of developing a pipeline during strategy preparation was not as efficient as was intended. There was a high fall-out of programs that were identified during strategy preparation and new ones added during strategy implementation. Consequently, the operational program delivered during the strategy period was different from the one agreed to at the inception. The new strategy will avoid this by separating strategy development from programming.
- **Program design, execution and performance.** It is recognized that there is still a need to improve program design, and build capacity of executing agencies in order to improve overall performance of the portfolio. During the new strategy period, increased emphasis will be placed on addressing the constraints and bottlenecks that hamper the pace of project execution. Simpler designs, the use of a risk-based monitoring and results framework that will allow for easier monitoring and decision making will become key measures to be put in place during the new strategy period. The gradual transition to the use of country systems during the strategy period and the move from ex-ante to ex-post procurement and disbursement will help to speed up project implementation.
- The use of the multi-phase facility to allow for the better dimensioning and to promote continuity has not been as beneficial as anticipated due to the slow pace of project execution. As a result, of the two programs developed using this modality, none of them has yet to move beyond the first phase. During the new strategy period, increased attention will have to be placed on improving the pace of project execution in order to derive greater benefits from the use of the multi-phase facility.
- **Planning framework.** In the absence of a well-defined medium-term planning framework, Bank's programming activity has proven to be a challenge. The flexibility needed by Government to re-assign priorities in order to respond to emerging challenges has always been the hallmark of the planning processing in The Bahamas. Consequently, while the Bank was able to mobilize resources to do the sector and analytical work need to inform the design

²⁴ Average loan implementation for the 2003-2007 Strategy period was 4.9 years.

and preparation of projects, this has not always resulted in further downstream activities, due in part to the lack of stakeholder commitment or changes in priorities. Attempts by the Bank to be responsive to these changes would have resulted in the Bank making intervention in diverse areas.

- In the absence of a codified and measurable framework therefore, the Bank will adopt and maintain, as part of the future dialogue and programming process, a very sharp focus on the sectors and programs identified as high priorities and as articulated at the highest-level in Government. This should ensure lasting stakeholder commitment and result in a more efficient use of resources.

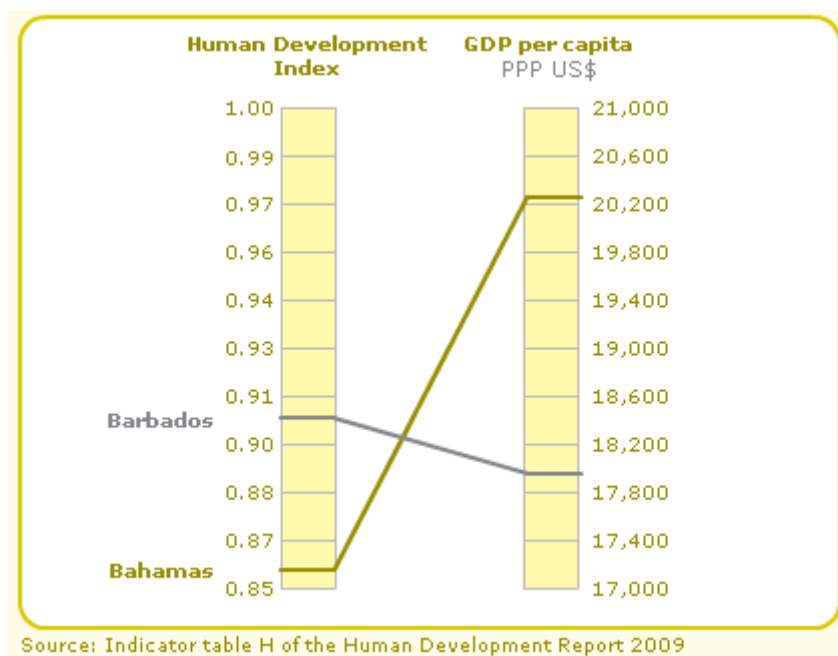
Annex III

BAHAMAS Millennium Development Goals						
Series	1991	1995	2000	2005	2006	2007
Goal: Eradicate extreme poverty and hunger						
Purchasing power parities (PPP), national currency per 1993 international dollar (WB)	0.96511	0.96911	0.91211	0.8861	0.8791	0.875
Employment-to-population ratio, both sexes, percentage	61.1	62.3	63.5	60.7	60.8	66.6
Youth unemployment rate, aged 15-24, both sexes	22.8	21	...	20.2	...	18.9
Youth unemployment rate, aged 15-24, women	24.5	24	...	24.1	...	21.7
Youth unemployment rate, aged 15-24, men	21.1	18.5	...	16.9	...	16.7
Goal: Achieve universal primary education						
Net Enrolment Ratio in primary education Both sexes	90.3	...	86.8	90.7	88.4	91.2
Primary completion rate, both sexes	83.4	100.7	94.9	97.3
Goal: Promote gender equality and empower women						
Percentage of women in wage employment in the non-agricultural sector	49.6	49.4	...	50	50.1	48.8
Goal: Reduce child mortality						
Infant mortality rate (0-1 year) per 1,000 live births	...	18	15	13	13	12
Children under five mortality rate per 1,000 live births	...	24	19	15	14	13
Goal: Ensure environmental sustainability						
Consumption of all ODS	...	69.9	70.3	18.6	8.9	5.8
Consumption of ozone-depleting CFCs in ODP metric tons	...	69.9	65.9	13	4	0
Terrestrial and marine areas protected, sq. km.	1253	1458	1458	2831	2831	2831
Goal: Develop a global partnership for development						
Telephone lines per 100 population	30.12	29.99	37.93	41.19	40.18	40.1
Cellular subscribers per 100 population	0.78	1.47	10.46	70.5	77.27	112.9

Source: 2009 United Nations Statistics Division, Millennium Development Goals Indicators

Bahamas Human Development Index 2007			
HDI value	Life expectancy at birth (years)	Combined gross enrolment ratio (%)	GDP per capita (PPP US\$)
1. Norway (0.971)	1. Japan (82.7)	1. Australia (114.2)	1. Liechtenstein (85,382)
50. Uruguay (0.865)	66. Occupied Palestinian Territories (73.3)	97. Paraguay (72.1)	42. Portugal (22,765)
51. Cuba (0.863)	67. Hungary (73.3)	98. Nicaragua (72.1)	43. Estonia (20,361)
52. Bahamas (0.856)	68. Bahamas (73.2)	99. Bahamas (71.8)	44. Bahamas (20,253)
53. Mexico (0.854)	69. Bulgaria (73.1)	100. Moldova (71.6)	45. Slovakia (20,076)
54. Costa Rica (0.854)	70. Peru (73.0)	101. Fiji (71.5)	1. 46. Hungary (18,755)
182. Niger (0.340)	176. Afghanistan (43.6)	177. Djibouti (25.5)	181. Congo (Democratic Republic of the) (298)

Source: Human Development Report 2009



Source: Indicator table H of the Human Development Report 2009

Annex IV

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> <p>The DEM-CS is a yes/no system with a partial score for each of the four evaluation criteria.</p>	
	SCORE
I. RELEVANCE	10.00
A. Ownership and Alignment: establishing consistency of CS objectives with government's plans & priorities	10.00
B. Coherence: establishing (i) the definition of country strategy focus in terms of anticipated results and (ii) the integration across Bank instruments/products	10.00
II. EFFECTIVENESS	5.90
A. Strategy Results Framework	6.43
B. Financial Transfers	10.00
C. Build up and use of Country systems	1.28
III. EFFICIENCY	To be determined in Programming document
IV. RISKS	6.67