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PROGRAMME PLANNING

COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

SECOND COUNTRY PROGRAMME FOR THE COMMONWEALTH OF THE BAHAMAS\*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
1987-1991	IPF for 1987-1991	1 320 000
	Other resources programmed	<u>249 367</u>
	Total	1 569 367

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\* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; and (e) distribution of new country programme by sector.

## I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

### A. Current economic trends

1. The Commonwealth of The Bahamas is an archipelago of some 700 islands and cays dispersed over approximately 100,000 square miles in the Atlantic Ocean. Only 26 islands contain populated settlements. This difficult geographic configuration, limited natural resources, heavy dependency on a few economic sectors and a shortage of qualified nationals are important constraints to the development of The Bahamas. Economic trends are influenced by external factors, the most important of which is the state of the economy of the United States.

2. On the positive side, the economic growth in the United States during the early 1980s resulted in a substantial increase in the number of tourists visiting The Bahamas. This provided stimulation of the Bahamian economy in the already developed islands of New Providence and Freeport. Major construction and improvement of plant and infrastructure, increased employment and expansion of the banking and financial industries resulted.

3. On the negative side, the uneven distribution of population and economic growth between the two main islands of Providence and Freeport and the remaining eighteen underpopulated and underdeveloped ones was worsened. Consequently, the potential of the latter remain underutilized as more of their population drifts to the main centres.

4. Tourism is the leading economic sector, generating about 30 per cent of gross domestic product (GDP) and half of the country's employment. The next major economic sector is banking, with its ancillary financial and commercial services. Following are manufacturing industries (10 per cent of GDP), agriculture and fisheries (5 per cent) and registration of ships. During recent years, important changes have taken place in each of these sectors. The constant government monitoring of these changes has identified the need for specific official policies to guide the process of economic development.

5. Tourism achieved record visitor arrivals during the mid-1980s, the result of vigorous government promotion policies. Maintaining this dynamism requires cost containment and the improvement of average hotel occupancy rates.

6. Offshore banking in The Bahamas has remained an important economic sector. While 85 per cent of the sector's employees are Bahamians, there is still continued reliance on expatriate personnel at the senior technical and management levels and therefore need for further training. In addition to banking, the Government promotes offshore insurance and reinsurance companies.

7. The agriculture and fisheries sector of the economy generates less than 5 per cent of GDP. Agriculture is characterized by small-scale production of fruit and vegetables for local markets. While imports account for 85 per cent of total food consumption, considerable potential is deemed to exist for increased local production on currently unutilized land. The fishing industry also has considerable potential for expansion.

8. Registration of ships grew very rapidly after January 1985, mainly because of the sound legal framework established in the Merchant Shipping Act. The Bahamas is now the third largest flag of convenience registry in the world.

9. The small manufacturing sector may be characterized as the "enclave type" and is concentrated in Grand Bahama. The Grand Bahama-based oil refinery and bunkering facility have curtailed operations and the transshipment facility has ceased functioning. While production of steel and cement has ceased, chemical output has steadily increased.

#### B. National development strategies

10. Aware of the acute disadvantages of dependence on few economic sectors, the Government of The Bahamas has sought ways to diversify its economic base. In addition to stimulating agriculture and fisheries, official policies seek to foster manufacturing, particularly through incentive packages for foreign investors.

11. The equitable regional distribution of growth and the development of human resources are also priority goals of the Government. New Providence, the main island, continues to attract migration from the smaller islands. This has resulted in social and infrastructural pressures on New Providence and inhibited expansion of economic opportunities on the other islands. Recent years have shown a continuation of urbanization which, with increased tourist demand, has further strained the infrastructure in the critical area of water resources management.

12. The Government will seek to reduce this growing inequality by creating employment on the Family Islands. On some of these islands, the estimated per capita annual income is as low as \$US 650. Infrastructure and economic opportunities need to be expanded, particularly in tourism, agriculture and industry. Future tourism campaigns will promote the Family Islands and Grand Bahama.

13. The need to protect the profitable economic sectors of tourism and offshore banking from external competition is an important policy objective. The tourism sector seems potentially the most vulnerable. Recent research has shown its relatively low profitability compared to world-wide standards. This heightens the existing need to strengthen the vital role of human resources in their development.

14. The overall outlook for the offshore banking sector is positive. The Government is well aware of the importance of economic and political stability as a pre-condition for the continuing presence of foreign banks and further growth of the financial industry. The outlook for further creation of employment in this sector appears to be moderate.

#### C. Technical co-operation priorities

15. The Government's short- and medium-term economic development policies require technical co-operation for their successful implementation. The priority areas for UNDP assistance during the fourth cycle are water resources development, food

technology, revenue mobilization and human resources development to improve the reservoir of skills in the public and commercial sectors.

16. Both the development of tourism and growth in other economic sectors make the regular supply of good quality water a critical element in the Government's growth strategy. A water resources development programme is being launched, which includes water supply rehabilitation, importation, sewerage rehabilitation and equipment. This work will cost more than \$30 million and is being co-financed by the Government, the World Bank and other lending institutions. UNDP resources will complement this effort, particularly in training, in strengthening management and administrative practices and in the use of new techniques and technologies to improve efficiency.

17. The negative impact of the unequal distribution of wealth in The Bahamas is most clearly seen in the Family Islands. Increased production of agricultural raw materials will be encouraged in the Islands for increased commercial production and processing. Earlier studies, financed by the European Economic Community (EEC), have researched the potential for commercial production and processing of 21 different varieties of fruit and vegetables. The Government intends to upgrade the capacity of its Food Technology Centre to support new commercial production and fourth cycle UNDP resources will assist in this objective. This will include the development of chemical, microbiological and nutritional standards, as well as provision for improved management systems and the training of counterpart personnel.

18. In order to promote investment and offshore finance, The Bahamas Government is in the process of posting commercial attachés to each of its consulate and tourism offices overseas. Training and orientation will be carried out for these attachés by short-term consultants with extensive "hands on" experience in commerce, banking and investment.

19. As in many island developing countries, financial constraints make it difficult to cover the cost of meeting the minimum needs of those islands which are populated. The Government prefers not to introduce a host of new taxes which would threaten the country's status as a tax haven. However, potential tax revenues do exist in valuation of land and real estate. This would require, however, a revision of the existing legal framework and a review of the organizational structure, financial management and data collection procedures of the Ministry of Finance, which is responsible for tax collection. A broader issue, however, is the need for upgrading of personnel to fill positions at middle and upper management levels in both the private and public sectors. This need is most pronounced in the areas of planning, finance, management and public administration. Training in all these areas using on-site experts could be effective in improving public administration.

#### D. Aid co-ordination arrangements

20. Co-ordination of technical co-operation with bilateral and multilateral donors is carried out by the Ministry of Foreign Affairs and Tourism. UNDP relationships with these donors were well established during the third cycle. In response to a

decision of the Caribbean Group for Co-operation in Economic Development (CGCED), UNDP, jointly with the World Bank, assisted the Government in preparing an assessment of the country's technical assistance needs. This work formed an integral part of the economic report. The close collaboration achieved between the World Bank and UNDP with the Government in carrying out this exercise has served as a useful guide in preparation of similar technical co-operation programmes elsewhere in the Caribbean.

21. As a result of important preparatory work carried out by EEC in the establishment of the Food Technology Centre, fourth cycle UNDP assistance foreseen by the Government for this institution has already enabled further collaboration with the Community and the Food and Agriculture Organization of the United Nations (FAO) in the project formulation process. At the same time, while water resources development is a priority area for the Government in this allocation of fourth cycle resources, UNDP activities in this sector will be developed within the framework of the major capital and technical assistance commitments of the World Bank and other financial institutions in order to ensure maximum impact. Co-ordination efforts with these agencies will thus be intensified during the fourth cycle.

22. Several specialized agencies such as FAO, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Labour Organisation (ILO) and the Pan-American Health Organization/World Health Organization (PAHO/WHO) serve The Bahamas from subregional offices located in the Caribbean. Regular formal and informal meetings and joint missions facilitate co-ordination and interagency collaboration. During the course of the fourth cycle, regular programme resources from the agencies of the United Nations system are expected to assist the Government efforts in areas not foreseen for UNDP assistance, such as drug abuse, education and fisheries and marine resources development. Existing co-ordination efforts will therefore be strengthened by establishing linkages with regional UNDP initiatives such as the Caribbean science and technology project in the field of marine resources development and the identification of extrabudgetary resources to complement interagency efforts.

## II. THE COUNTRY PROGRAMME

### A. Assessment of current country programme

23. Activities of the third country programme (1982-1986) focused on the areas of civil aviation, groundwater development, fisheries, co-operatives and central purchasing of government supplies. UNDP assistance included provision of 12 full-time experts, 8 short-term consultants, 90 individual fellowships, 2 study tours and limited equipment, the latter valued at \$US 127,000.

24. The main objective of the civil aviation sector was the strengthening of air traffic capacity through the installation of upgraded radar services. UNDP provided advisory services for the purchase of Government-financed equipment and training of personnel in its operation and maintenance. Of the total number of fellowships provided during the third cycle programme, 87 were awarded in various disciplines of civil aviation, such as emergency and fire fighting techniques, air

traffic control and radar operation and maintenance. All of the fellows currently occupy positions in the Department of Civil Aviation which permit them to utilize the training received.

25. The Government contributed cost sharing in the order of \$US 1.06 million for purchase of the radar equipment. Co-ordinated action by the Government, UNDP/International Civil Aviation Organization (ICAO), and the United States Federal Aviation Authority ensured the success of the undertaking, which the Government feels could not have been carried out more effectively, or at lesser cost, in any other way.

26. In the area of water, the UNDP-funded project has built on the findings of two earlier projects executed by the United Nations Department of Technical Co-operation for Development (DTCO). Major achievements were establishing the existence of appreciable groundwater resources on New Providence estimated to save the Government \$US 18,000 a day in water shipping costs; planning and designing a national water supply system; and providing technical assistance for the actual construction of the system. Other achievements included strengthening the Water and Sewerage Corporation to deal with the issues of water resources assessment, planning, development, management, protection and conservation, sea transport of water and water quality monitoring. Follow-up investment by the Government, directly related to the UNDP-financed projects in development of water resources, amounted to over \$US 1 million for the development of new well fields, rehabilitation of old well fields, and improvement in water collection, delivery and supply.

27. A fisheries development project has served as a catalyst for the overall fisheries industry. Its resources assessment activities have provided information and statistics for future planning. This project was formulated to complement a major Inter-American Development Bank (IDB) loan of \$US 20 million to establish a fish landing, handling and marketing complex. At the end of UNDP/FAO involvement, however, the complex still lacked sufficient trained nationals.

28. A co-operative management programme was designed for the less advantaged populations on the Family Islands. Participants benefited in particular from on-the-job training. The programme led to follow-up investment: for example, the IDB financed a "mother ship", a fish processing plant and a bulk fuel storage facility, totalling \$US 500,000 for a fishermen's co-operative based in South Andros.

29. UNDP/DTCO assisted in the establishment of a centralized system for the systematic bulk procurement of public supplies through the Ministry of Finance.

30. Associate experts have made a significant contribution to the achievements of the projects in water development, fisheries and co-operatives development. These were provided by the Governments of the Netherlands (three in water; one in fisheries) and the Federal Republic of Germany (one in co-operatives). The Department of Statistics and the Ministry of Finance received timely and cost-saving advice on computer requirements and assessment of needs through the services of an interregional adviser on computers and informatics. Advisory services were also provided in crime prevention and criminal justice.

31. The greatest difficulty encountered in the implementation of the third cycle programme was the identification training and retaining of qualified nationals in areas of fisheries and co-operatives because of a lack of recurrent budget support. This major constraint has led to a new approach for the fourth cycle, in that UNDP resources will be applied to programmes which are central to development efforts in The Bahamas and which already have resources committed by the Government. This approach has been formulated so as to build on the very positive experience gained in such areas as water and civil aviation, and thus is expected to yield qualified national staff in post at the end of United Nations system assistance.

## B. New programme proposal

### (a) Water resources development

32. The adequacy of the water supply system to meet internal as well as ever-increasing tourism needs is a constant concern of the Government. The Water and Sewerage Corporation has set the goal of delivering 7.5 to 8.0 million gallons per day (mgd) of good quality water, by the year 1993. Planned investment in the order of \$US 35 million to provide for the reconstruction of New Providence well fields and the expansion of the Andros well fields, quality control of groundwater and preparation for a telemetry control system, rehabilitation of water mains and long-term water resources development planning. The latter will emphasize pollution prevention, and consider options, such as desalination of sea or brackish water, as well as the economics of alternative sources of supply.

33. To assist in the above objectives, the United Nations system will provide expertise, training and equipment. It will also assist the Government in putting together an imaginative "least cost" package of inputs including associate experts and/or United Nations Volunteers (UNVs) to complement senior experts and consultants, and possible "matching" multilateral components. For this, \$US 639,700 has been earmarked from IPF resources. To sustain the achievement of optimal results in this critical sector, links will be maintained with such programmes as the UNDP/DTC regional water project for small islands in the Caribbean and other cutting-edge programmes.

### (b) Food technology

34. The Government proposes to devote significant resources (\$US 337,400) to efforts at increasing agricultural production and thereby reduce import dependency, stimulate employment in this sector and respond to the needs of the domestic market. The purpose of the proposed project is to strengthen the Food Technology Centre by developing chemical, physical, microbiological and nutritional standards for processed fruits, vegetable and meat products. In addition, sampling, testing and certification programmes to monitor these standards will also be established.

35. The Centre will be closely linked with the ongoing work of the Ministry of Agriculture, in particular its extension services, in the encouragement of farmers in the remote islands to increase yields by the introduction of new practices and methods.

(c) Revenue mobilization

36. The Government difficulties in domestic revenue mobilization have led to a programme to improve efficiency in the administration of its existing tax collection mechanisms, without the need for new taxes which might jeopardize the country's tax haven status. An amount of \$US 117,000 has been targeted for a project designed to improve the administration of the real property tax division of the Ministry of Finance by reducing delinquent accounts, determining realistic assessments and systematizing data collection, storage and retrieval.

(d) Human resources development: training of commercial attachés

37. The promotion of investment in The Bahamas is to become a main task of commercial attachés in the country's overseas consulates and tourist offices. Training will be provided to prepare these attachés to be effective in their performance.

38. Assistance is being sought through UNDP Short-Term Advisory Services (STAS) for the upgrading of the output of the commercial attachés. For this task in The Bahamas, the STAS private-sector short-term experts are to be recruited through such bodies as the Industry Council for Development. High-level executives responsible for the identification and selection of overseas investment sites for agro-industries, banking and mariculture/aquaculture are to contribute their expertise. The Government, either from its own resources or the UNDP IPF, will cover airfare and per diem (\$US 15,000 is earmarked).

39. STAS assistance is likely to be expanded during the fourth programming cycle to increase the productivity of Government bodies and individual entrepreneurs. Several business and investment opportunities in The Bahamas, including manufacturing and agro-industry, are to be explored using short-term expert advice. One of the most promising fields in this respect is the development of shallow-water fisheries resources. Linkages will be established with the regional science and technology project, especially its activities in marine sciences.

Civil aviation

40. Improvement of tourist facilities and ensuring the comfort and safety of visitors remains a top government priority. Government cost-sharing of \$US 149,367 will continue to fund the training and upgrading of air-traffic and other aviation personnel to keep pace with rapid technological advance in this key sector.

Training activities for disadvantaged women

41. While women as well as men are expected to benefit from all the programmes outlined for the fourth cycle, a special effort is to be made to address the training and income needs of adolescent mothers. A 1986 ILO survey revealed consistently low levels of skills, unemployment and early pregnancies among a high percentage of young Bahamian women. Official Government statistics for 1982 show that 60 per cent of all children are born into single parent households. The United Nations Development Fund for Women (UNIFEM) has earmarked \$US 100,000 for



the establishment of industrial co-operative activities for these young women to supplement ongoing efforts by non-governmental groups. The family life education interventions of the United Nations Fund for Population Activities (UNFPA) under way in The Bahamas are also aimed to alleviate the concerns articulated above, and are projected to continue through arrangements for technical co-operation among developing countries (TCDC) and participation in subregional activities.

C. Unprogrammed reserve

42. Fourteen per cent of the total IPF and Government resources projected for the fourth cycle will be set aside as the unprogrammed reserve. This reserve is to be used within the framework of continuous programming to meet priority technical co-operation requirements of the Bahamian development strategies that emerge in the course of the fourth cycle.

Annex

## FINANCIAL SUMMARY

## I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. UNDP-administered sources

	<u>\$</u>	<u>\$</u>
Third cycle IPF balance	-	-
Fourth cycle IPF	1 320 000	-
Subtotal IPF	-	<u>1 320 000</u>
Special Measures Fund for the Least Developed Countries	-	-
Special programme resources	-	-
Government cost-sharing	149 000	-
Third-party cost-sharing	-	-
Operational funds under the authority of the Administrator	-	-
UNDP special trust funds	-	-
Subtotal, UNDP non-IPF funds		<u>149 000</u>

B. Other sources

Funds from other United Nations agencies or organizations as a result of the country programme exercise (UNIFEM)	-	100 000
Parallel financing from non-United Nations sources	-	-
Subtotal, other sources	-	<u>100 000</u>
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING	-	<u>1 569 000</u>

## II. USE OF RESOURCES

Ongoing projects	400 000	-
New project proposals	1 358 000	-
Programmed reserve	-	-
Subtotal, programmed resources	-	1 362 000
Unprogrammed reserve	207 000	<u>207 000</u>
TOTAL USE OF RESOURCES		<u>1 569 000</u>

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