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The Commonwealth of the Bahamas Economic Report

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CURRENCY EQUIVALENTS

Currency Unit = Bahamian Dollar

Since February 1973

B\$1.00 = US\$1.00

Between December 1971 - February 1973

US\$1.00 = B\$0.97

Prior to December 1971

B\$1.00 = US\$1.00

PREFACE AND ABSTRACT

This report reviews the recent performance of The Bahamas economy, and analyses development issues and prospects facing The Bahamas. The economy has performed moderately well in the early 1980s, recording positive economic growth with no balance of payments problems, and with an improved fiscal position. Much of this good performance can be attributed to the steady growth in tourist arrivals. The outlook for the rest of the decade is very positive, given the expected continued growth in this sector in response to the projected buoyancy of the US economy.

Notwithstanding the positive recent performance and outlook, significant development issues face the economy: (i) external vulnerability deriving from dependence on tourism earnings will require continued vigilance by the authorities; (ii) the competitiveness of the economy, and of the tourism sector in particular, will need to be ensured through moderation in wage settlements, and the encouragement of efficiency improvements; (iii) greater attention will need to be paid to the regional distribution of growth, and to the encouragement of growth outside New Providence; (iv) given the expected growth in labor supply, appropriate job creation policies will be necessary; and (v) the operating efficiency of the public sector will require continued upgrading.

This report is derived from an IBRD economic mission to The Commonwealth of The Bahamas in May 1985, led by Mr. R. J. Robinson. The mission consisted of Ms. D. Velasco (IBRD), Ms. N. Pirnia (IBRD), Mr. P. Joyce (IMF) and Mr. D. Davis (consultant). The mission received assistance in the assessment of technical assistance needs from the United Nations Development Programme, consisting of Ms. B. McSweeney (UNDP Representative for The Bahamas), Ms. A. Ebanks (UNDP, Jamaica) and Mr. M. Salzmann (UNDP, New York).

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COUNTRY DATA - THE COMMONWEALTH OF THE BAHAMAS

<u>AREA</u>	<u>POPULATION</u>	<u>DENSITY</u>
13,942 km ²	0.222 million (end 1983)	16.0 per km ²
	Annual Rate of Growth: 2.3% (from 1973 to 1983)	330 per km ² of arable land

POPULATION CHARACTERISTICS (1983)

Crude Birth Rate (per 1,000)	23.8
Crude Death Rate (per 1,000)	5.0
Infant Mortality (per 1,000 live births)	22.7

HEALTH 1978

Population per physician	1459
Population per hospital bed	245

INCOME DISTRIBUTION (1977)

% of national income, highest quintile	48.4
lowest quintile	2.5

ACCESS TO ELECTRICITY (1978)

% of population - urban	90.0
- rural	..

ACCESS TO PIPED WATER (1976)

% of population - urban	100.0
- rural	13.0

EDUCATION (1978)

Adult literacy rate %	93.0
Primary school enrollment %	98.5

NUTRITION (1977)

Calorie intake as % of requirements	96.0
Per capita protein intake	38.3

GNP PER CAPITA in 1984: US\$4260^{a/}

GROSS NATIONAL PRODUCT IN 1984

	<u>US\$ Mil.</u>	<u>%</u>
GNP at Market Prices	1537.9	100.0
Gross Domestic Investment	355.5	23.1
Gross National Savings	239.6	15.6
Current Account Balance	23.6	1.5
Exports of Goods, NFS	1264.3	82.2
Imports of Goods, NFS	1072.3	69.7

ANNUAL RATE OF GROWTH (% constant prices)

	<u>1979-83</u>	<u>1984</u>
GNP at Market Prices	3.0	6.4
Gross Domestic Investment	18.7	-2.4
Gross National Savings	9.3	2.0
Current Account Balance	.	.
Exports of Goods, NFS	4.7	9.8
Imports of Goods, NFS	6.7	6.8

GOVERNMENT FINANCE

	<u>Consolidated Public Sector</u>				<u>Central Government</u>			
	<u>(B\$ million)</u>		<u>% of GDP</u>		<u>(B\$ million)</u>		<u>% of GDP</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Current Receipts	..	..	..	..	314.0	347.3	20.2	20.4
Current Expenditure	..	..	..	..	318.6	342.1	20.5	20.1
Current Surplus	23.8	69.1	1.5	4.1	-4.6	5.2	-0.3	0.3
Capital Expenditures	95.7	49.2	6.2	2.9	19.2	10.4	1.2	0.6
External Finance (net)	6.2	-27.5	0.4	-1.6	..	..	.	.

^{a/} Atlas Methodology

.. not available
 . not applicable

COUNTRY DATA - THE COMMONWEALTH OF THE BAHAMAS

<u>ASSET, CREDIT and PAID</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Liabilities to Private Sector ^{1/}	338.0	385.5	468.0	508.0	583.7
Bank Credit to Public Sector ^{2/}	75.0	88.4	128.5	147.6	117.4
Bank Credit to Private Sector ^{2/}	263.7	483.4	482.4	508.7	594.9
	(Percentages or Index Numbers)				
Liabilities to Private Sector as % of GDP	32.5	34.5	39.0	32.8	31.4
Bank Credit to Public Sector	191.3	212.5	225.4	254.6	243.6
Annual percentage change in					
General Price Index	12.1	11.1	6.1	4.1	3.9
Bank credit to Public Sector	.	17.9	45.4	14.7	-20.4
Bank credit to Private Sector	.	14.7	8.8	5.7	4.9

BALANCE OF PAYMENTS

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	(Millions US\$)			
Exports of Goods, NFS	951.2	1038.3	1133.5	1284.3
Imports of Goods, NFS	889.7	939.8	1005.3	1072.3
Reserve Gap	71.5	98.4	140.2	182.0
Factor Payments (est)	138.8	114.8	122.8	133.8
Net Transfers	-13.9	-17.7	-10.3	-14.6
Balance on Current Account	-81.2	-54.2	15.1	25.6

EXTERNAL DEBT, DECEMBER 31, 1984

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>US\$ biln</u>
Private Capital	104.7	-2.5	-14.7	-28.9		
Public Capital (est)	71.4	68.4	6.2	-27.5		289.3
Change in Reserves	7.9	13.3	10.1	39.0		..
						..

DEBT SERVICE RATIO for 1984 ^{3/}

Public Debt, Incl. guaranteed	4.5
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..

NOTE OF EXCHANGE

1981:00 = 241:00

1980/10A LENDING, latest month (Million US\$):

	<u>1980</u>	<u>1984</u>
Undisbursed	•	•
Outstanding Incl. Undisbursed	•	•

^{1/} Ratio of Debt Service to Exports of Goods and Non-Factor Services.
^{2/} Operations of the commercial banks.

• not available
• not applicable

SUMMARY AND CONCLUSIONS

Recent Economic Developments

i. The economy of The Bahamas has performed moderately well in the early 1980s. The economy is highly dependent on the tourism sector, and its overall performance is largely determined by the performance of this sector, as it accounts directly and indirectly for 35% of GDP and 50% of employment. Thus, tourist arrivals have grown every year in the 1980s except 1981, when there was a 10% decline, and GDP growth has mirrored this, averaging 3% a year over the period, with a similar performance expected in 1985. This positive growth in export earnings has permitted a steady improvement in the balance of payments, with a current account surplus in 1984 equivalent in 1.4% of GDP, and, with net additions to official foreign assets in every year since 1979, net official foreign exchange reserves stood at the equivalent of about 8 weeks of imports by the end of 1984. The growth of tourist arrivals has also encouraged high levels of investment, particularly in the construction of new facilities, and investment has averaged about 21% of GDP throughout the period. With its close dependence on the US economy, including an exchange rate of US\$1.00 = B\$1.00, price inflation has been low in recent years, and although this has also been matched by moderate wage settlements, nevertheless real wages have been increasing.

ii. Since 1982, the financial position of the public sector has improved from an overall deficit of \$68 million (5% of GDP) to a surplus of \$51 million (3% of GDP) in 1984. This improved performance reflects four developments: (i) reduced capital expenditures following the completion of major hotel construction projects; (ii) a very significant improvement in the performance of the non-financial public corporations; (iii) modest growth in current expenditures; and (iv) buoyant tax revenue, particularly from duties relating to imports for the tourism sector. The hotel construction mentioned above did result in a rapid growth in external debt in 1981 and 1982, rising from US\$100 million in 1980 (8.4% of GDP) to a peak of US\$238 million in 1983 (15.3% of GDP), although this remains within very manageable levels, with debt servicing well below 10% of export earnings.

iii. The outlook for the Bahamian economy is very positive, determined largely by the projected growth in tourism stopover visitors. This growth is largely dependent upon the growth in US GNP, but, given World Bank estimates for this growth, and historic elasticities, it is projected that the Bahamian economy should grow by an annual average of about 4.0% over

the next five years. With other supporting assumptions (as detailed in Chapter IV), the resource balance should widen slightly to a peak of 12.2% of GDP in 1990, but decline hereafter to a level comparable to that of 1983 and 1984. If the various Central Government revenue enhancement measures bear fruit, public sector performance should continue to improve, with a positive Central Government current account balance rising to 2.3% of GDP by 1990, and remaining at this level thereafter. The main difficulties will occur from 1985 to 1989, when there is a bunching of total external debt amortization requirements, which total \$200.0 million, as a result of the short term hotel construction loans taken out by the Government in 1981 and 1982. If this amortization schedule is adhered to, then significant domestic borrowings (an additional \$164.0 million from 1985 to 1989 over and above the generated surplus of the National Insurance Board) will be required. A more viable option would be to refinance some of the external debt obligations to encompass longer repayment schedules, and initial discussions have been undertaken in this regard.

Development Policy and Sector Issues

iv. Overall Policy - While the economic performance over the past three years has been very good, and the near term outlook is also positive, it is important to recognize that the country's ready susceptibility to external events imparts a volatility to economic performance on a year to year basis. Government efforts to diversify the economic base may serve to reduce this volatility in the long term, but in the interim, considerable vigilance will be required, particularly with regard to developments in the balance of payments and the expansion of domestic credit. In general, medium term economic policy may be broken into four broad objectives. First, there is a need to ensure that the cost competitiveness of the country's leading sectors is not eroded. This will require continued efforts to moderate wage demands and to encourage efficiency improvements in both the distribution system and the provision of utility services. It will also be important to avoid import substitution policies that require high protective tariffs or quotas to maintain. Second, greater attention needs to be focused upon the regional distribution of future growth and the infrastructure and economic opportunities available in the Family Islands (all islands other than New Providence and Grand Bahamas) require special attention. Third, given the high percentage of the population under sixteen years of age, and the projected volume of school leavers, appropriate job creation still remains a major priority. This goal is, to some extent, related to the goal of a greater regional balance to future growth, insofar as the heavy migration to New Providence places further strains upon the social and economic infrastructure and the islands' job absorptive capacity. Finally, given the increasing sophistication of the economy, the operating efficiency of the whole public sector will require continual upgrading. Administrative procedures need to become less time consuming with enhanced interactions between the various components of Government, especially as it relates to foreign investment.

v. Public Sector Current Operations - The Bahamas' tax structure is inelastic with respect to both money income and increases in real national income. The heavy dependence on external tariffs as a source of revenue imparts a regressive bias to the tax system, and, given the high specific tariff rates on some items, the flexibility of the tax system, and hence Government's fiscal flexibility, is severely constrained. The basic challenge is to find means to enhance the tax base, without affecting the tax haven status and image of the country. The Government has adopted two approaches to this conundrum. The first involves improvements in the collections of the present system, particularly with regard to property tax collection. Second, the Government has considered raising user fees for certain Government services. Both approaches could yield substantial revenue enhancement, dependent upon the rigor of enforcement. If these measures do not prove successful, and Government expenditure continues to grow at the same pace as nominal GDP, alternative tax measures will have to be sought.

vi. Public Sector Capital Operations - The most notable characteristic of Central Government expenditure patterns over the past eight years has been the steady decline in capital formation. The present level of capital formation in the social and economic infrastructure is not considered sufficient and does not reflect the development needs of the Family Islands or the more demanding expectations associated with higher incomes. The Government recognizes the importance of this issue and has budgeted to increase capital expenditures in 1985. Part of the problem, however, is a function of the administrative system for determining capital priorities. The current system for coordination, budgeting, planning and programming capital expenditures, is inadequate. Furthermore, overall spatial and economic planning and coordination is deficient. There is a manifest need for some centralized mechanism to assess priorities, and to allocate resources to those areas most in need. Finally, the activities of the public corporations do not appear to be adequately integrated into the Government's overall capital plans and policies. Decisions as to what uses surpluses are put, are taken outside of a coordinated development framework.

vii. Tourism - This sector is the most important of the Bahamian economy, accounting for about one-third of GDP and employing, directly and indirectly, over half the working population. Since 1981, there has been very strong growth in the numbers of stopover visitors and cruise passengers, with the number of stopover visitors in 1984 some 10.9% higher than that recorded in 1980. Furthermore, it is expected that 1985 will prove to have been another good year, with arrivals in the first four months of 1985 12% higher than the corresponding period in 1984. Also, over the past five years there has been a substantial increase in hotel capacity. By 1984 there were 13,449 available rooms, representing a 17% increase in capacity over that available in 1980.

viii. Despite these positive indicators, there are some negative trends. Since 1980, the average length of stay has declined from 7.14 nights to 6.46 in 1984, and is a reflection of the increasing importance of

short three or four day package vacations. As a result, total visitor nights in 1984 were only 0.3% higher than that recorded in 1980. Over this period, however, there has been a substantial increase in capacity, all concentrated in New Providence, with the result that average occupancy rates have declined from 69.1 in 1980 to 61.6 in 1984, and there has been considerable discounting on room rates.

ix. Within the context of this market environment, the profitability of the hotel industry in The Bahamas, in the aggregate, is not good by worldwide standards. While the strong demand witnessed thus far in 1985 suggests that both capacity utilization and average room rates will rise during the 1985/1986 winter season, improved overall profitability is not assured unless operating expenses continue to be contained. Further capacity increases may be expected in the latter part of 1986 and 1987, both in New Providence and Grand Bahama, so the medium term pressure on occupancy rates will continue. In this context, the Government needs to monitor further increases in capacity, particularly in New Providence, to ensure that the available infrastructure is not overwhelmed and that existing institutions, particularly the smaller ones which are most likely to have Bahamian ownership, are not undermined by a too rapid expansion in overall capacity.

x. The Government's Hotel Corporation of The Bahamas is to continue with the management of its present asset portfolio and with its efforts to encourage investment in the sector. The general promotion function, lodged in the Ministry of Tourism, is well targeted and effective, and the Ministry appears to be well funded. Further attention must be directed to improving traffic to Grand Bahama and the Family Islands. Improvements will continue to be necessary to the supporting infrastructure; most notably the airport in New Providence requires expansion of the terminal and passenger processing facilities.

xi. Offshore Banking - The Bahamas, through a variety of internal and external factors, has emerged as a major offshore financial center. By the end of 1984, 363 banks and trust companies were licensed to operate in the country, and banking and finance is the second most important economic activity. While the exact volume of business undertaken is unclear, estimates suggest that external assets and liabilities totalled about \$160.0 billion by mid-1984. Further, estimates indicate that the offshore activity has a workforce of nearly 900, and, in 1983, local expenditures amounted to \$43.9 million, of which \$16.7 million were salaries and \$1.7 million accrued to the Government in the form of direct fees and charges on the sector. Besides these direct benefits there are other indirect ones which may be no less important. The workforce is 85% Bahamian, and this proportion has been increasing continually over the past decade, with considerable in-house training and development. Not only has the sector fostered a cadre of highly trained staff, but it has also encouraged the development of ancilliary services (accounting, law, computing) which is

useful for other commercial activity. Also, the advanced telecommunications system, vitally necessary for offshore banking, has considerable benefits for other sectors of the economy.

xii. The overall outlook for the sector appears good, although the pace of employment creation may moderate over the next decade due to underutilized capacity and further advances in office and telecommunications technology. The sector has been experiencing some changes in the composition of activity, with increasing trust and financial management services, which are more labor intensive, however. Efforts by some industrialized countries to forestall further growth in offshore center activity do not appear to have affected The Bahamas to any major degree. For example, the initiation of International Banking Facilities (IBFs) in New York in December 1981, does not appear to have significantly affected the volume of business, and no foreign bank branches in The Bahamas have closed as a result of these IBFs. Also, in the area of client account secrecy and possible criminal use of such offshore centers, considerable progress has been made by The Bahamas' Government in bilateral discussions with other countries, towards establishing an appropriate framework and set of rules for such information flows.

xiii. There are a number of other offshore activities that the Government is developing. The Bahamas is now believed to be the third largest flag of convenience shipping registry, after Liberia and Panama. In 1984, Government revenues from this source should rise to \$2.5 million on a registry of 5.0 million gross tons. Also, the Government is endeavoring to promote offshore insurance and reinsurance, particularly "captive" insurance companies, via amended legislation introduced in 1983 that removes all taxes on premiums and restrictions on investments.

xiv. Agriculture - The Government attaches considerable importance to the expansion of domestic agricultural production to reduce import dependence and increase linkages with the tourism sector. The various programs introduced over the past decade have had varying degrees of success, and total agricultural and fishing activities still account for less than 5% of GDP, and only about 10% of the acreage that is suitable for tillage is presently being utilized. A variety of impediments inhibit the sector's growth. Local labor is expensive and scarce, which demands a high degree of mechanization. Foreign investment that brings with it technical expertise is necessary and yet the policy with regard to foreign investment is not clear. Domestic marketing arrangements are deficient. The present system of Packing Houses and Produce Exchanges is in need of urgent review, particularly with regard to a proper expenditure control system. As with agriculture, there is considerable potential to expand The Bahamas fishing industry, and Government is presently undertaking a review and redrafting of a variety of fishing regulations that will upgrade quality and marketing arrangements.

xv. Manufacturing - The manufacturing sector in The Bahamas accounts for about 10% of GDP, is mostly of the enclave type and is concentrated in

Grand Bahama. Significant growth in exports occurred in 1983 and 1984, mostly in chemical and pharmaceutical products. The oil refinery has been experiencing some difficulty, and by mid-1985, refining activity had ceased, leaving only a transshipment and bunkering facility. The Government is endeavoring to expand the sector and has established a Free Zone in New Providence and has created a "one stop" promotional entity in The Bahamas Agricultural and Industrial Corporation. To be fully effective however, this entity will need further financial and human resources. Given the relatively high wage rates in the country, it is unlikely that the country will be able to compete with other Caribbean destinations for labor intensive industries. As a result, efforts should be made to attract higher technology operations and raise the technical skills capability of the potential workforce.

xvi. Social - Substantial progress has been made by the Government in improvement of the level of health care and education over the past decade. There has been a steady increase in student/teacher ratios and the coverage of the education system is good. The quality of the system requires further enhancement, however, and more efforts are needed to expand technical and science training, particularly as these pertain to specific industrial vocation skills. The country is facing a housing shortage, which will become more acute over the next decade. In recognition of these difficulties, the Government is increasing its involvement in the sector. In 1983, The Bahamas Mortgage Corporation was formed to provide low cost housing finance and a reorganized Ministry of Housing and National Insurance is providing private construction incentive grants for low income housing construction. To further consolidate the progress made to date, there is an urgent need to develop the land title recording system and undertake a comprehensive physical development plan for New Providence that covers land use, zoning, infrastructural and utility requirements and environmental and ecological factors.

CHAPTER I - ECONOMIC STRUCTURE AND RECENT ECONOMIC DEVELOPMENTS

A. Background

1.01 The Commonwealth of The Bahamas became an independent country within the British Commonwealth in July 1973. The country forms an archipelago of approximately 700 islands and cays covering nearly 100,000 square miles of the Atlantic Ocean, off the coast of Southeast Florida, extending southward to Northern Hispaniola. The resident population in 1983 was approximately 220,000, of which about 60% live on the island of New Providence on which the capital, Nassau, is situated. This population is predominantly young, with about 50% below the age of 16. The political system is based upon the British Westminster model of parliamentary democracy, with a bi-cameral legislature made up of an appointed Senate and an elected House of Representatives, and an independent judiciary.

1.02 Ever since Columbus's sighting of The Bahamas in 1492, the economic fortunes of the country have been significantly influenced by political and economic events in Europe and the United States. Historically, the economy has been an open one, with a strong service sector orientation, as a result of the country's geographic position and lack of significant natural resources. Initially, much of the economic activity was dependent upon the availability of good, and plentiful, harbors. It has provided alternatively a base for pirates (the most famous being Edward Teach, otherwise known as Blackbeard), for British raids against Spanish gold shipments, for gun running to the Southern States during the American Civil War and bootlegging during the prohibition period in the United States. Since the more widespread advent of air travel in the 1930s, the economy entered into its most sustained period of economic development based upon a fuller exploitation of the country's tourism potential. To this has been added the development of an international finance center from the early 1960s as a result of taxation and foreign capital movement legislation introduced in the United States and Europe.

1.03 Tourism is of overwhelming importance to the economy, accounting indirectly and directly for about 35% of GDP and providing employment for over 50% of the working population. This growth has not been accidental, but is a result of consistent Government policies since the end of the Second World War. Tourism promotion has been vigorous, with considerable Government resources devoted to what has become a very sophisticated tourism marketing effort. Furthermore, successive Governments have adopted and implemented policies that have fostered private sector confidence and investment in the sector. This pragmatism and consistency accounts in no small measure for the very successful development of the offshore banking sector.

1.04 Notwithstanding these very positive economic achievements, there are a number of significant difficulties. Economic growth and development has not been uniformly distributed throughout the country, with most of the advances being made in New Providence and Grand Bahama islands. As a result, migration, particularly to New Providence and Nassau, have imposed social and infrastructural difficulties, and inhibited the more rapid

expansion of the economic opportunities on other islands. Furthermore, the very open nature of the economy, together with the strong reliance on one major sector, has made the economy very vulnerable to external economic developments. As will be seen later in this report, the tourism sector's wellbeing is very positively correlated with economic performance in the United States. As a positive aside, it should be noted that The Bahamas, of all the Caribbean countries, has been the most successful in reducing the seasonality factor inherent in the region's tourism industry. This overall vulnerability is recognized by the present Government, and a variety of initiatives have been undertaken over the past decade to diversify the country's one sector dependency. Some success has been achieved, particularly in the financial services area as already noted, and the development of nascent manufacturing activity.

1.05 Foreign investment has played a crucial role in the country's economic development, particularly during the 1960s when growth averaged 9.0% per annum. It has been estimated that during this period, direct private foreign investment, excluding the financial sector, exceeded one billion US dollars, most of which was in the tourist sector, with the result that by the early 1970s it was estimated that 80% of tourist accommodations were foreign owned. The crucial, catalytic role of foreign investment continues; however, since the early 1970s there have been some significant modifications. Following independence, the Government has sought to follow a Bahamianization policy which has manifested itself in various forms. In particular, the Government, through its Hotel Corporation, took a role in hotel construction and ownership and has established other organizations designed to foster local entrepreneurship in other areas that serve the tourist sector. In 1981 the Government passed the Immovable Properties Act, designed to bring greater control to land and property transfers. Some of these actions have engendered some uncertainty amongst foreign investors.

1.06 The robust economic performance recorded in the 1960s has not been followed in the 1970s for a variety of reasons. Economic recession abroad, particularly with regard to the oil price shocks of 1973 and 1979, and a temporary uncertainty occasioned by Independence in 1973, all served to reduce investment in the country's leading sectors. Nevertheless, by the end of the decade, the economy recovered rapidly, led by strong growth in tourism from the United States and renewed growth in construction activity, both residential and in the tourism sectors. The number of stopover visitors rose sharply by 22% in 1978 and by 14% in 1979, which undoubtedly influenced investor expectations with a doubling of construction starts in 1978 and again in 1979. This rapid advance in economic activity in these two years had a favorable impact upon unemployment, however the demand for skilled artisans created shortages amongst particular categories. This problem of an adequate supply of sufficiently trained, skilled workers has persisted, with the result that structural unemployment remains a major development challenge.

B. Recent Economic Developments

1.07 The Bahamian economy of the early eighties has performed well, further consolidating upon the gains made in the late seventies. There was a very significant decline in 1981, as a result of a 12.8% decline in stopover visitors and a reduction in manufactured exports from the offshore manufacturing sector with the closure of the steel plant and a sharp fall in cement production. Both occurrences may be traced to economic recession in the United States and indicate the economy's vulnerability and reliance upon the economic performance in the US. Since this year, however, there has been steady growth, with stopover visitors in 1984 some 27% higher than the low recorded in 1981. Furthermore, while construction activity declined from late 1983 and during 1984 following completion of two major hotel projects, manufacturing output has risen steadily, particularly in the pharmaceutical and chemical sectors.

Table 1: Selected Economic Indicators

(percentage changes)

	1980	1981	1982	1983	1984
Real GDP m.p. ^{1/} (1977 prices)	6.7	-9.0	7.5	3.2	6.4
Private Consumption (1977 prices)	-3.3	-2.2	-0.7	1.1	6.0
Tourist days	7.8	-10.3	1.7	9.6	3.8
Exports of Goods (1977 prices)	10.0	-8.4	8.6	8.7	9.8
Imports (1977 prices)	10.4	3.9	4.4	8.1	6.8
Construction (1977 prices) ^{2/}	34.0	37.0	5.0	14.7	-12.5
Electricity sales (kwh)	0.5	-2.1	4.2	9.8	10.6

^{1/} Deflators used are staff estimates, and details of their various compositions may be found in the note preceeding the statistical annex.

^{2/} Estimated utilizing the Statistics Department's methodology of a moving average of the value of construction starts.

Source: Various tables in the Statistical Annexes.

1.08 Investment has averaged about 21% of GDP over the past five years, which is almost double that recorded (11.9%) over the preceding five years and represents a healthy expression of confidence in the country's economic future. Much of this investment has been in construction, particularly in an expansion of tourism accommodation capacity, with Government involvement in two large hotel projects in 1982 and 1983. In some respects, the pace of this expansion in tourism capacity, which has been concentrated in New Providence, has caused some concern amongst both private and public sector officials involved in the tourism industry. It is felt that considerable excess capacity might exist, depressing occupancy rates and ultimately operator profitability. This issue is addressed further in the Chapter on sector developments. Residential and other commercial construction has also been very robust, particularly in New Providence, reflecting expansion in offshore banking and rising disposable incomes. Completion of the large hotel projects noted above and re-equipment in some public corporations, has caused public sector capital formation, as a share of GDP, to fall to its lowest level in over ten years. Given the infrastructure needs of the country, particularly in the Family Islands, this level of public sector investment may be too low. This issue will be addressed in greater detail in the Chapter on the public sector, but it should be noted at this stage that the Government's institutional capacity for development of an adequate and relevant consolidated public sector investment program is deficient.

1.09 How this economic growth has affected employment is difficult to judge. Employment information in The Bahamas is poor, and the last year in which a labor force survey was conducted was in 1979. This survey indicated (see Table 1.2 in the Statistical Annex) employment of 67,700, of whom about one-fifth were Government employees. The unemployment rate at the time of this survey was estimated at 14.3% with a labor force participation rate of 45.9%. While specific data is unavailable, it is believed that this unemployment rate has declined over the past five years. IMF staff estimates for selected sectors indicate that employment during 1980-1984 has increased at an average annual rate of about 4%, which when compared to a rate of population national increase of 1.8% per annum, does suggest that substantial progress has been made in the reduction of overall unemployment. Nevertheless, these advances have not been distributed across all age and sex groups and geographic zones. Migration to Nassau and New Providence, particularly amongst the younger age groups, has created pressure upon the capital city's absorptive capacity and it is believed that unemployment in this age group is high. In the Family Islands, employment opportunities that meet the expectations, or skill levels, of younger workers are deficient. On the other hand, shortages of labor occur in larger scale agriculture, which are often met by utilizing legal and illegal migrants from other Caribbean countries. Overall, employment growth has been most rapid in the hotel sector, although there was a substantial rise in Government employment in 1981 and 1982. While exports from the offshore manufacturing sector have improved, employment in the manufacturing sector has declined, reflecting the closure of the steel and cement plants, and substantial reductions in capacity utilization in the oil refinery in Grand Bahama.

Table 2: Employment in Selected Sectors

(In thousands)

	1980	1981	1982	1983	1984
Government	12.04	12.71	18.79	14.07	14.32
Other Public Sectors ^{1/}	-	-	-	3.30	3.38
Hotels & Restaurants	6.60	6.70	6.80	7.57	8.34
Offshore Manufacturing ^{2/}	1.39	1.37	1.33	1.09	1.04
Financial Sector	2.57	2.73	2.84	2.96	-

^{1/} Bahamas Electricity Corporation, Bahamas Telecommunications Corporation, Bahamasair, Bahamas Broadcasting Corporation, the Central Bank of The Bahamas, and Water and Sewerage Corporation.

^{2/} Including petroleum industries.

Source: IMF Staff estimates

1.10 The balance of payments of The Bahamas exhibits a number of characteristics that are common to the region. First, The Bahamas has historically exhibited large negative trade balances, counteracted by large net inflows on the service account as a result of tourism revenues. Second, the large amount of foreign investment that has occurred, particularly in the development of the tourist sector, has meant that factor service payments and investment income paid abroad have been large, averaging 10.2% of GDP over the past eight years. As a result, the current account, and the resource balance, is subject to significant short run volatility following the volatility of tourism visitor arrivals and investor expectations. Furthermore, while import levels will adjust to lower economic activity, they tend to do so with an appreciable lag. Consequently, considerable emphasis is placed by the Central Bank on monitoring and control of the balance of payments. In particular, considerable attention is directed at domestic credit creation and the consumer credit component of this. This policy emphasis is appropriate given the openness of the economy and the lack of fiscal policy instruments that may serve to depress demand during periods of lower foreign earnings.

1.11 The nominal value of the Bahamian dollar is maintained at par with the US dollar. As a result, the nominal effective exchange rate of The Bahamas has appreciated significantly over the past four years, reflecting the rise in the US dollar. Over this period, the real effective exchange rate of the Bahamian dollar (utilizing relative consumer price indices) is estimated to have appreciated by 27%. Despite this rise, the current account and resource balances have improved continually since 1981. In 1983 the current account balance became positive for the first time in five years and reached 1.4% of GDP in 1984. This general improvement is a result of a substantial improvement in merchandise exports in 1982 (25.8% increase) due to rapid growth in the pharmaceutical industry

in Grand Bahama and an increase in exports of alcoholic beverages.^{1/} In 1983 and 1984, the further improvement in the current account balance was due to the rapid growth in tourism receipts, reflecting the economic growth in the United States. This growth in tourism receipts more than offset the rise in imports due to the growth in domestic economic activity.

Table 3: Details of the Balance of Payments

	(US\$ million)							
	1977	1978	1979	1980	1981	1982	1983	1984
Resource Balance	117.9	126.1	98.8	100.3	71.5	98.4	148.2	192.0
Current Account								
Balance	24.9	-8.3	-40.4	-33.0	-81.2	-34.2	15.1	23.6
Public Capital								
(Net)	0.5	12.1	-4.4	-6.8	71.4	66.4	6.2	-27.5
Private Capital								
(Net)	45.4	-14.2	-15.8	2.5	104.7	-2.5	-14.7	-26.9
Errors and Omissions	-49.9	1.7	75.6	35.8	-91.3	-16.4	3.5	69.8
Change in Reserves								
(increase =+)	21.3	-8.5	19.6	14.0	7.9	13.3	10.1	39.0
	(% of GDP)							
Resource Balance	16.5	15.2	9.8	8.4	5.6	6.9	9.5	11.3
Current Account								
Balance	3.5	-1.0	-4.0	-2.8	-6.4	-2.4	1.0	1.4
Net Official Reserves								
(weeks of imports)	7.4	5.4	5.9	5.7	5.9	6.3	6.4	7.9

Source: Statistical Annex Table 3.1.

^{1/} Comprehensive merchandise trade data has not been published since 1977, and the Statistics Department is presently undertaking an exercise to remedy this deficiency, utilizing customs records. For the period 1978 to 1984, the Central Bank has estimated total merchandise exports by applying a multiplier of 2.22 to the exports of offshore manufacturing companies (from which it receives regular annual reports) and non-oil imports are estimated by applying a multiplier of 3.75 to the value of customs duties. Obviously, this methodology may be subject to considerable error, particularly as some of the underlying base period parameters (changes in import tariffs) have changed.

1.12 Net capital movements recorded a large surplus in 1981, however, the position has weakened since then and moved into deficit in 1983 and 1984. This deterioration reflects a shift of both the public and the private sectors from large external borrowings in 1981 and 1982 to net repayments of such borrowings in 1984. The movement in public sector flows reflects the borrowings of the Hotel Corporation to finance hotel construction, with repayment starting in 1984. Despite these movements, net official foreign reserves have improved almost continually since 1978 with substantial improvements in 1984, which appears to be continuing into 1985. These reserves now represent about eight weeks of imports and, as such, are at their highest level in over eight years.^{2/}

1.13 Interest rates in The Bahamas have tended to remain very stable throughout the 1980s despite wide movements in international rates and in domestic price inflation. The commercial banks' prime lending rate has remained fixed at 11% since 1981, while the bank rate moved once from 9 to 10% in January 1982. As a result, real interest rates have fluctuated considerably over the past eight years. Deposit rates were negative for four years, from 1978 to 1981, with a peak in 1980 of -4.6%. Prime lending rates were also marginally negative, particularly in 1980. Given this interest rate situation, it is not surprising that during the period 1979 to 1981, credit extended by the commercial banks significantly exceeded the increase¹ in local currency deposits. This development was a reflection not only of the widening of differentials between domestic interest rates and Eurodollar rates and the negative domestic real interest rates, but also due to the financing of several major investment projects, in 1979 and 1980, and increased financing of the trade sectors' inventories during the economic downturn in 1981. To satisfy this demand, the commercial banks reduced their excess reserves and borrowed from the Central Bank. These liquidity pressures began to abate somewhat in 1982 as real interest rates rose and domestic currency deposits rose rapidly. Public sector borrowings were high in 1982 and part of 1983 as a result of hotel construction and refurbishment activities. However, by 1984 there was a substantial decline in net credit to the public sector, and the local banks' liquidity position further improved. This highly liquid position has persisted into 1985, with the result that some new deposits have not been accepted. If this persists, then it might be expected that deposit and lending rates will decline.

^{2/} It will be noted that net errors and omissions category in the balance of payments exhibit very large swings, the reasons for which are difficult to explain. The IMF found, in analysis of this issue, that this category may in part be explained by unrecorded private capital flows in response to a decline in the spread between US and Bahamian interest rates since late 1981. Regression results for a period from the first quarter of 1979 to the fourth quarter of 1984, suggest there is statistically significant relation between the errors and omissions item in the Bahamian balance of payments and the interest rate differential.

Table 4: Outstanding Commercial Bank Domestic Credit
(% of GDP)

	Real Interest Rate (Fixed Deposit)1/	Real Interest Rate (Lending)2/	Credit to Public Sector (G)3/	Credit to Private Sector (P)	Ratio G/P
1977	3.5	6.3	15.7	37.4	0.420
1978	-0.2	3.3	13.5	34.9	0.387
1979	-3.5	-0.1	11.0	32.9	0.334
1980	-4.6	-1.1	9.0	32.5	0.277
1981	-2.5	-0.1	8.9	34.8	0.256
1982	2.5	4.9	10.7	33.9	0.316
1983	4.5	6.9	10.2	32.8	0.311
1984	4.6	7.1	8.9	31.4	0.283

- 1/ Average of deposit rates for fixed periods in excess of 3 months minus rate of inflation as measured by the New Providence retail price index.
- 2/ Prime rate minus rate of inflation as measured by the New Providence retail price index.
- 3/ Gross loans and advances, treasury bills and other securities and includes public corporations.

Source: Statistical Annex Tables 2.1, 6.3, 6.8 and 8.1.

1.14 The primary form of credit to the private sector is for personal and consumer loans. The share of such loans in overall credit has risen from 42.4% in 1977 to 61.0% in 1984. This aspect causes some concern to the monetary authority policy makers, as most of this demand for consumer durables very quickly manifests itself in the balance of payments, and hence their close monitoring of domestic credit movements. Overall, commercial bank credit to the private sector increased at an average annual rate of 13% during 1980 to 1982. However, since then the pace of growth has moderated, increasing by 5% in 1984. This, in part, reflects reduced demands for trade credit by firms that have benefited from improved economic conditions, with the consequent improvement in cash flow. Bank credit to the construction sector has declined substantially since 1981, but this reflects to a large extent the increased availability of mortgage financing from other financial institutions. Despite an almost doubling of Government borrowings during 1981 to 1983 to finance investments of the Hotel Corporation, the trend over the past eight years has been a declining share of public sector lending to total lending. As such "crowding out" of private sector needs does not appear to have occurred, although, in general, there continues to be a shortage of medium- to long-term venture capital for local entrepreneurs.

1.15 In general, wage rates in the country are high when compared to other parts of the Caribbean, and in many categories are similar to those which may be found in the United States, particularly the Southeast. However, given the lack of any progressive personal income tax, the distribution of this wage income may be somewhat more skewed. The economy continues to suffer labor shortages in certain critical areas. These include artisans in the building industry, qualified accounting personnel, professional and technical personnel, particularly in computer services and automobile repair. There has been immigration from other Caribbean countries, particularly from Haiti, which tends to add to the workforce at the lower skill and wage levels, although the precise number of these immigrants is unknown. Various Government officials feel there is a need to develop a formal recruiting scheme for immigrant workers, given the Government's inability to monitor its dispersed island constituency.

1.16 Public sector wage settlements over the past four years have provided increases of 7-1/2 to 10% per annum. In 1984, Bahamasair entered into a new three year contract with ground staff which provided increases of 8-1/2 to 11-1/2% in the first year and 5 to 5-1/2% in the second and third years of the contract. Also in 1984, the Water and Sewerage Corporation and the Electricity Corporation granted increases that averaged between 5 and 10%. In early 1985, the Bahamas Telecommunications Corporation reached agreement on a new three-year contract with a 7.5% increase in the first year and 5% in the succeeding two years. Central Government compensation per employee is estimated to have increased by 8-1/2% in 1984, down from an 11% increase in 1983 and about 12% in 1981. Within the private sector, there has been a similar moderation in wage awards. Construction workers signed a new contract in 1984 providing for wage increases of 5% per annum over 1985-1986, compared to 11% annual increases in the preceding three years. Employees in hotels and restaurants in Nassau received average annual wage increases of 8% for the period 1982-1984, considerably down from the almost 12% increases for the period 1979-1981. While the mission was in the field, a wage contract was under negotiation in the hotel sector with the dispute being referred to the Industrial Relations Board for arbitration. Whatever the outcome of these negotiations, and future Central Government wage settlements, and given the decline in the consumer price index in the country, caution needs to be exercised in the granting of future wage settlements. The Bahamas may be regarded as a relatively high wage country, and if the Government's wishes for sector diversification in agriculture and manufacturing are to succeed, this will be crucially dependent upon general wage levels and labor productivity in comparison to other countries in the region.

Table 5: Retail Price Changes for New Providence
(annual averages)

	1979	1980	1981	1982	1983	1984
All Items Index	9.0	12.1	11.1	6.1	4.1	3.9
Food	10.9	15.1	14.8	6.8	1.4	1.7
Housing	6.5	9.5	8.1	5.6	7.3	4.8
Transport	6.6	11.6	6.2	5.8	7.0	4.4
Clothing/Footwear	12.5	15.5	8.2	7.7	5.3	6.0
US C.P.I.	11.3	13.5	10.4	6.1	3.2	4.3

Source: Statistical Annex Table 8.1

1.17 Following a relatively high inflationary period from 1977 to mid-1981, prices have steadily declined in The Bahamas. These price movements tend to closely follow those of the United States, the country's principal trading partner. After declining to a rate of 2.75% in mid-1984, the pace of price rise increased during the second half of the year to 4.5%. The largest fall in price inflation has been in the food category, most of which is imported from the Southeastern United States. The rate of decline of consumer durable and non-durable price rise has not been as great and may, in part, reflect high concentration within the importer and distribution sectors which may have impeded the "passing on" of the price moderation in imported goods.

CHAPTER II - PUBLIC FINANCES AND ADMINISTRATION

Introduction

2.01 Since 1982 the consolidated financial position of the public sector has improved. The overall deficit of the public sector declined from \$68.0 million in 1982 to \$46.0 million in 1983 and to a surplus of \$51.0 million in 1984. This improvement in the overall balance has been achieved by a substantial decline in capital expenditures and improved performance of the public corporations, particularly the Bahamas Electricity Corporation and the Bahamas Hotel Corporation. During 1981 and 1982, the deficits were financed largely by external borrowing; however, in 1983, financing requirements came largely from domestic sources, particularly the National Insurance Board. The public sector surplus in 1984 resulted in a decline in foreign currency debt that was partly offset by a further rise in local currency debt.

Table 6: Public Sector Savings
(As % of GDP)

	1980	1981	1982	1983	1984
Current Account Balance	7.7	6.3	3.2	3.2	5.7
Central Government	3.5	2.9	0.8	-0.3	0.3
National Insurance Board	2.1	2.0	1.7	1.8	1.9
Public Corporations	2.1	1.4	0.7	1.7	3.5
Overall Balance	1.4	-2.6	-4.8	-3.0	3.0

Source: Statistical Annex Tables 2.1, 5.1, 5.4, 5.5, 5.6

2.02 The 1985 budget indicates a continued improvement in public savings of \$37.0 million (a 38.8% improvement over 1984); however, due to increased capital expenditures, particularly by the Central Government in public works, education and health, the overall surplus is expected to decline by \$18.0 million to \$33.0 million. The budget calls for further moderation in the rate of growth of current expenditure and a 22% increase in current revenue due to new measures included in the budget. These measures include a 2.5% increase in basic customs duties (excluding basic foodstuffs); an increase of 5 cents per gallon in the tax on gasoline; and increased user fees at airports and hospitals. In addition, improved administration and tax collection efforts are expected to increase the

revenue yield of the existing tax structure. Indications by mid-1985 suggest, however, that the planned increase in revenue collections may have been optimistic, and current and overall surpluses are expected to be smaller. To some extent, compensation for this shortfall will be achieved by lower capital expenditures, which at \$102 million, represented an ambitious program, particularly for the Central Government portion of the total.

Central Government Revenues

2.03 The Government's policy of no personal or corporate income taxes, does limit the overall flexibility of the tax system and reduces the Government's fiscal flexibility. Heavy reliance is placed on indirect taxation, and particularly taxes on international trade, which account for about 59% of total revenue. Direct taxation from tourism activities (bedroom and casino taxes) is also an important source of revenue, accounting for about 9% of revenue, although the tax receipts from tourism are much larger due to spending throughout the economy. In contrast to almost static tax revenues in 1981 and 1982, tax revenue increased by 15.6% in 1983 and by 8.1% in 1984 to reach \$273.9 million. These improvements were in response to increased economic activity and to specific tax measures, that included increases on import duties on gasoline and some consumer goods (particularly cigarettes and alcoholic beverages); in the fees payable by banks and trust companies; in the stamp tax on imports; in insurance premium taxes; in the departure tax applicable to tourists; and in the tax on motor vehicles. Increase in non-tax revenues, most notably administrative fees and charges, in 1980 and 1981, compensated, to some extent, for the static tax revenue in 1981 and 1982. Also in 1984, the US Government made special payments of roughly \$20.0 million for the lease of certain facilities. Further payments of \$10.0 million per annum are expected over the next five years.

2.04 As a result of compensatory movements in non-tax revenue, total revenue as a ratio of GDP has remained fairly constant over the past seven years. However, the ratio of tax revenue to GDP has declined gradually over the same period. The marginal tax rate, which reflects the proportion of additional national product that the tax system has "captured" declined substantially from 1978 to 1982. The recent tax measures in 1983 and 1984 have arrested this decline, although some of the measures introduced, particularly increases on certain customs tariffs, may have increased evasion, which would account for the decline in the marginal tax rate in 1984 as compared to 1983. A further indicator of Government difficulties in revenue mobilization may be seen in the tax buoyancy ratio shown in the table below. This index, which reflects the percentage change in tax revenues with respect to a percentage change in GDP, declined by over 60% in the five years up to 1982. While there was a dramatic improvement in 1983, the performance in 1984 suggests that the Government's tax net needs to be broadened and the tax collection administration enhanced. The contribution made by property taxes is particularly low, and in most respects is a function of a lack of a comprehensive valuation and collection administration.

Table 7: Measures of Tax Effort

(In %)

	1978	1979	1980	1981	1982	1983	1984
Revenue/GDP	21.0	21.0	22.0	23.0	20.8	20.2	20.4
Tax/GDP	17.2	17.6	17.2	16.6	15.4	16.3	16.1
Non-tax/GDP	3.8	3.4	4.8	6.4	5.4	3.9	4.3
Marginal Tax Rate ^{1/}	19.2	19.4	14.6	9.0	5.1	25.8	13.5
Tax Buoyancy ^{2/}	111.6	110.2	84.9	54.2	33.1	158.3	83.9

^{1/} Change in tax revenue divided by change in GDP x 100.

^{2/} Marginal tax rate divided by the tax/GDP ratio x 100.

Source: Statistical Annex, Tables 2.1 and 5.2

2.05 Tax on real property in The Bahamas is capable of producing a stable revenue, coupled with considerable growth potential. In general this type of tax lends itself to ease of administration and collection. However, primarily due to lack of staff, and Government disinclination to enforce the legal prerogatives available to recover arrears, the yield from this tax in The Bahamas is far below potential. Current rates were fixed in 1973 and have been static since then. There is need to update assessments, with as much as 80% of total assessments being obsolete and outdated, and not reflecting true values. A lot of new property and improvements do not find their way onto the assessment lists, and where valuation does occur, uniformity and consistency is deficient. A variety of estimates suggest that if a general re-survey and re-assessment were carried out, revenue would increase from three to five fold. In addition, a very significant arrears problem exists, with a very high delinquency rate of about 50% of taxpayers owing in excess of \$50.0 million. While some defaulters have been taken to court, the Government has been loathe to utilize the ultimate sanction of auctioning the property to obtain the due amounts. To improve this situation, considerable Government commitment will be necessary.

2.06 Professional and technical staff will be needed, together with a reorganization of the administration, valuation and collection system. Further, enforcement must be improved, which might require the establishment of a permanent investigation and enforcement unit. The Government recognizes this deficiency and is presently undertaking a valuation exercise, reviewing methods of collections and penalties for non-compliance.

2.07 In general The Bahamas' tax structure is inelastic with respect to both money income and to increases in real national income.^{3/} Furthermore, the heavy dependence on customs duties introduces a strongly regressive bias to this system. Direct taxation accounts for a very small percentage of the total (less than 10%) and the ad hoc measures that have been adopted over the past decade have both complicated administration and compliance and increased the possibilities and success of evasion. The relatively high tax effort (tax/GDP) can be somewhat misleading, due to the dominance of tourism in the economy. A rough netting out of those taxes paid by tourists reduces this tax effort from 20.5% of GDP to about 13 or 14%. There is a fundamental structural problem with the present system and it will be difficult to raise specific rates (particularly duties on imports) as evasion on some items (cigarettes, for example) has already become a serious problem. The basic challenge is to find a means to enhance the tax base without affecting the tax haven status and image of the country. The Government is adopting two approaches. The first involves improving the collections of the present system. As noted above, efforts are being made in the area of property tax and ensuring that other taxes, such as the departure tax and gaming tax are swiftly transferred through to the general consolidated fund by the respective collection agencies. Also, the Customs Department is endeavoring to improve its system of checks and controls to ensure the accuracy of customs documents and the valuations contained therein. Second, the Government has considered raising user fees for certain Government services, and has already adjusted outpatient base fees in the health service. It is possibly too early to judge how effective these various measures will be; however, if Government expenditure continues to grow at the same pace as nominal GDP, then alternative tax measures may have to be sought. In these circumstances, serious consideration will have to be given to a modest, direct tax on the income of individuals and domestic firms.

Central Government Expenditures

2.08 Over the past two years there has been some moderation in the rate of growth of Government's current expenditures. In 1984, they rose by 7.4% compared to 12.3% and 10.8% in 1983 and 1982 respectively. Much of this deceleration was largely attributable to a decline in the rate of growth of personal emoluments, which rose very rapidly in 1980 and 1981. Wages and salaries account for about 52% of total current expenditures and this has been fairly constant over the past eight or nine years. The 1985 budget envisages further moderation in the pace of growth of this expenditure category. Interest payments increased significantly in 1982 as a result of the external borrowing on behalf of the Hotel Corporation, reaching 12.7% of current expenditure in this year.

^{3/} Analysis for the period 1970-1974, which took account of changing rates, found the income elasticity of import duties to be 0.45.

Table 8: Central Government Expenditures

(millions B\$)

	1979	1980	1981	1982	1983	1984	1985 ^{1/}
<u>Total</u>	<u>226.3</u>	<u>258.9</u>	<u>351.8</u>	<u>367.0</u>	<u>394.2</u>	<u>368.0</u>	<u>426.1</u>
<u>Current</u>	<u>189.1</u>	<u>219.6</u>	<u>256.0</u>	<u>283.6</u>	<u>318.6</u>	<u>342.1</u>	<u>361.1</u>
Wages	98.8	114.0	134.4	146.4	166.7	184.3	190.4
Interest	20.1	22.1	24.2	35.9	40.2	43.5	44.4
<u>Capital</u>	<u>37.2</u>	<u>39.3</u>	<u>95.8</u>	<u>83.4</u>	<u>76.6</u>	<u>25.9</u>	<u>65.0</u>
Formation	17.6	25.1	29.2	30.4	19.1	10.3	44.1
Transfers & Advances	19.6	14.2	66.6	53.0	57.5	15.6	20.9
	(% of GDP)						
<u>Total</u>	22.3	21.8	27.6	25.8	25.4	21.6	
<u>Current</u>	18.7	18.5	20.1	20.1	20.5	20.1	
<u>Capital</u>	3.6	3.3	7.5	5.7	4.9	1.5	

^{1/} Budget.

Source: Statistical Annex, Tables 2.1, 5.3 and 5.4.

2.09 The most notable characteristic of Central Government expenditure patterns over the past eight years has been the steady decline in capital formation, with a 37% and 46% drop in 1983 and 1984. These declines affected all ministries; however, it was particularly acute in public works and commercial services. The overall capital account reached very high levels in 1981, 1982 and 1983, but this was due to large capital transfers, loans and advances to the Hotel Corporation, the Electricity Corporation and Bahamasair. The Government curtailed these transfers in 1984, with a further reduction planned for 1985.

2.10 The present level of capital formation in the social and economic infrastructure is not considered sufficient and does not reflect the development needs of the Family Islands or the rising expectations associated with higher incomes. In part, the decline of capital expenditures by the Central Government is a function of the administrative system for determining capital priorities. The current system for coordination, budgeting, planning and programing capital expenditure^{4/}, is

^{4/} There is no system in place for planning public investment beyond the present fiscal year. Because of this, it was not possible to present the usual analysis of the Government's public investment program (PSIP). Development of a PSIP should be a priority for the Government.

inadequate and needs improvement. Government ministries have annual appropriations on the basis of a program submitted by each to the Ministry of Finance, but these programs do not appear to be coordinated in a manner that takes account of global infrastructural priorities. Furthermore, overall spatial and economic planning and coordination is deficient. Sectoral projects and programs do not appear to be integrated with physical planning, nor with available financial resources. There is a manifest need for some centralized mechanism for assessing priorities, and for allocating adequate resources to those areas most in need, that reflects the overall policy objectives of the Government. Within the Ministry of Finance, there is need for a specific unit, tasked with both coordination of the existing budget and coordination and development of future capital programs. This would facilitate the evolution of a single development framework, providing the basis for relevant policies and projects to be identified and evaluated, and resources allocated, over a longer time horizon, based upon a priority listing.

2.11 A related area of concern involves the public corporations and their integration into the Government's overall capital plans and policies. To a large extent, they appear to be outside any centralized planning and enjoy a great deal of autonomy with respect to capital spending. To some extent this is unavoidable, and desirable, however, the degree to which this pertains in The Bahamas may create considerable infrastructural imbalances. Decisions as to what uses the surpluses of the various corporations are put, are taken outside of a coordinated development framework, and are not transferred to the central consolidated fund for future allocation. As a result, while the qualitative standard for services may be continually and significantly enhanced, they may be out of step with other more serious infrastructural or utility constraints. Development of a central coordinating unit within the Ministry of Finance to monitor all Government investment spending should bring some improvements.

The Non-financial Public Corporations

2.12 In general, the non-financial public corporations in The Bahamas have performed well over the past five years. Substantial financial improvements occurred in 1983 and 1984, with combined current surpluses of \$28.4 million and \$63.9 million respectively.^{5/} The overall account balance has been in deficit from 1979 to 1983, particularly so in the last three years of this period. This reflects very high capital expenditures by the Hotel Corporation and Electricity Corporation. However, in 1984, the overall balance shifted into a substantial surplus of \$25.3 million, reflecting an improvement in the overall operating surplus and sharply reduced capital expenditures.

5/ These operating results do not allow for interest on two loans totalling \$150.0 million that the Government took out in 1981-1983 to finance investments of the Hotel Corporation. In 1984, the interest on the loans amounted to approximately \$18.0 million, which was paid by the Central Government.

2.13 The Hotel Corporation of The Bahamas (HCB) owns seven hotels in New Providence and Grand Bahama, as well as other tourist facilities, and is vested with the Government's interests in the casinos. This corporation was established in 1974 and has been the conduit for Government acquisition and construction of hotels. Following a period of direct management, all the operating Government hotels are now managed by international management companies, with leases of a variety of forms. The operating balance of the Corporation improved substantially in 1983, however, this balance is not sufficient to service the large loans taken out for construction and renovation. The three Government-owned hotels in Freeport have either been renovated, or are presently undergoing renovation. One of these was opened in early 1986, with the Government in partnership with a foreign investor. The Corporation is presently looking for operators for the others. The HCB is to continue to pursue further resort developments in New Providence. However, new resort development initiatives in the Family Islands are also contemplated. Given the employment needs in these islands, the planned regional focus is sound.

2.14 The performance of the Bahamas Electricity Corporation (BEC) improved significantly in 1983 and 1984, as a result of increased unit sales (up 9.7% in 1983) and significantly reduced per unit generation costs. This latter factor is a result of large capital expenditures conducted in 1981, 1982 and 1983 to introduce more efficient, slow-speed generators which have proven more fuel efficient and reliable. Estimated unread consumption in 1984 was 7.3% of total sales, marginally up on 1983; however, the Corporation believes that with planned distribution improvements, this proportion should decline in 1985 and 1986. The financial outlook for 1985 is good, although revenues will decline as a result of a 6% decline in per unit sales price. In the past, BEC has experienced some difficulties in receiving payment from other Government units and public corporations. In 1985 measures were taken to offset some of these arrears against debt owing to the Government, with the result that there has been a significant improvement in accounts receivable outstanding. This issue requires careful monitoring in the future to ensure that BEC's cash flow is not impaired. General wage settlements of 5 to 6% were granted in 1985 and a new contract is due for negotiation in 1986. Continued caution still needs to be exercised in the granting of wage increases, given the Corporation's debt servicing requirements in 1986, 1987, and 1988.

2.15 Since its inception in 1976, the Water and Sewerage Corporation (WSC) has steadily improved the coverage and quality of its services and its financial operating results. Large capital expenditures were undertaken from 1979 to early 1983 to upgrade the service in New Providence and included the barging and shipping of water from Andros island. This has improved water pressure and general availability in Nassau, with the result that increased quantities have been available for commercial sale. Further infrastructural development is necessary, however, and work is in hand, with IBRD participation on a project of about \$35.0 million, to further upgrade water export facilities on Andros and rehabilitate existing water supply systems. While the financial position of WSC is much improved, particularly the liquidity situation with positive

working capital of \$1.8 million in 1984 compared to a deficiency of \$0.02 million in 1983, further improvements will be necessary to ensure its financial viability. In particular, restraint must be exercised in the area of staff costs and a procedure developed to ensure prompt payment by other Government entities for water services. At December 1984, these arrears amounted to \$2.6 million, or 51% of total accounts receivable. To further ensure the longer term viability of WSC, consideration must be given to the development of a national water use policy that would allow for greater coordination and control of the use of water resources. Within New Providence it is estimated that about sixty large commercial companies are not using the public water system, relying on their own wells. In part, this is a function of the past unreliability of the public water systems; however, the WSC believes that as their capacities and efficiencies improve, excessive utilization of private wells and systems could be prejudicial to overall water management. Furthermore, in some instances these private systems are linked to the public ones, but may not necessarily follow the same purification procedures as WSC. As a result, the whole system in certain areas may be liable to contamination.

2.16 Bahamasair has experienced considerable difficulty in achieving operating surpluses over the past eight years. The airline operates international routes to the United States in competition with US carriers, and an inter-island scheduled domestic network in which it has a monopoly. Despite efficiency improvements in recent years, the corporation is unable to service its long term debt, which is serviced by the Central Government. Management of the Corporation believes that scheduled services on the domestic network are, at present, economically unviable and require either subsidization from international services or direct transfer from the Government. For social and administrative reasons, the Government policy is that such services are necessary and must be maintained. The mission was not able to evaluate, in depth, the economic viability of the domestic service; however, it is clear that further room exists to improve operating efficiency and financial performance. At a minimum, a careful operating and management study should be undertaken, to identify measures to improve labor productivity and equipment utilization. On international operations the outlook appears more favorable, with substantial load factor improvements in the first six months of 1985.

2.17 The Telecommunications Corporation (BTC) has been consistently profitable over the past decade, and has been able to respond to the sophisticated communication requirements of the offshore banking and tourism sectors. Capital expenditures remained high in 1984, as BTC expanded the availability and quality of services to the Family Islands. This expenditure has been raised from internal surpluses, and the corporation has not borrowed since 1974. As with other public corporations, there are delays in payments for services by other public entities (arrears of \$3.5 million at the end of 1984) which does affect the cash flow position of BTC. The management of BTC believes that budgeted amounts for telephone charges for the various Government departments are inadequate and should more accurately reflect past usage. The corporation is a large employer (approximately 1,550 by the end of 1984) and recently concluded a new three year wage contract with its principal union to run

from October 1984 to October 1987, with increases of 7.5% in the first year and 5.0% in each of the final two years.

2.18 Of all the public corporations, the Broadcasting Corporation of The Bahamas (BCB) is the one most financially insecure. There has been a steady improvement in performance over the past four years, with a current deficit of \$547,000 in 1984 compared to \$1.2 million in 1982; however, the liquidity position is very tenuous and the corporation will continue to need Government subventions to maintain its current level of operations. The radio services are profitable, however, the television service is not, and the deficit of this part of operations more than offsets surpluses made elsewhere. The fundamental difficulty is that the television advertising revenue base is very narrow given the types of economic activity in the country. Furthermore, as part of Government's social and cultural policies, a certain proportion of local programming is necessary. This programming is more expensive per hour of broadcast time than the purchase of foreign "canned" programming. It is clear that fundamental adjustments will be necessary to ensure the revenue base of BCB and allow for needed capital enhancements, which have been postponed due to lack of financial resources. While stringent expenditure controls and fine tuning of other operational factors will continue to be necessary, further stable revenue sources will be necessary. Thought has been given to the introduction of TV receiver licenses, the proceeds of which would accrue to BCB. Implementation of this should proceed swiftly. Furthermore, with improvements in technology, and hence a lowering of cost, the use of satellite receivers has grown rapidly in The Bahamas. It may be possible to levy fees on the use of such equipment which may also accrue to BCB. Whatever measures are adopted, the limited viewership size, together with a small advertising base, will make profitable operation of a local television service difficult.

The National Insurance Board

2.19 The National Insurance Board (NIB), formed by the National Insurance Act (1972), came into being in 1974 and is responsible for administering the country's social insurance scheme. Since its inception it has generated substantial surpluses, with accumulated reserves of approximately \$230.0 million by mid 1985. These surpluses have been continually rising since 1974, however, the surplus is expected to fall in 1985 due to increases in benefit payment rates in October 1984. The magnitude of the current surpluses of NIB represents an important source of savings to the economy and investment of its surplus can have important macroeconomic implications, particularly with respect to overall credit availability and the balance of payments. As a result, there is considerable consultation between NIB and the Central Bank with regard to the Board's investment portfolio. During periods of excessive commercial bank liquidity, or easy money conditions, some NIB funds have been "sterilized" for short durations within the Central Bank, to avoid a rapid and excessive expansion in liquidity. This occurred during the first six months of 1985. While this policy may inhibit a decline in the cost of credit, which may be indicated by the underlying economic trends, in the interests of balance of payments management, this is a sensible policy.

2.20 Up until 1982, NIB tended to favor investments of a short term nature (Treasury Bills and commercial bank deposits). As a result, rotation of investments was high, entailing considerable administrative costs and risks. Since then, however, investment policy has shifted toward longer term assets, particularly Government stock and loans to public corporations. Furthermore, the Board has provided funds for certain social infrastructural developments, such as housing, with the Bahamas Mortgage Corporation and some private institutions. This change in investment policy is beneficial, ensuring that a greater proportion of domestic money savings are utilized in development and investment activities.

External Debt

2.21 Total foreign currency debt of the public sector increased by nearly US\$130.0 million in 1981 and 1982, primarily as a result of two loans to finance a large hotel-casino complex for the Hotel Corporation. As a result of this 127% increase, total foreign debt stood at 16.25% of GDP at the end of 1982. However, as this project approached completion in 1983, new foreign borrowing by the public sector declined, and by the end of 1984, total debt outstanding had declined by 9.1% to US\$209.3 million, or 12.3% of GDP. A major factor in this decline was large principal payments on outstanding obligations by the public corporations. In particular, the Electricity Corporation repaid over US\$15.0 million, about US\$10.0 million of which was ahead of schedule as a result of a significantly improved cash flow position.

2.22 Historically, the external debt service ratio of The Bahamas has been very low by international standards, fluctuating between 3 and 6% of exports of goods and services, and at about 8 to 10% of Government revenues. The large borrowings in 1981 and 1982 have not, as yet, changed this situation, although there will be a more significant burden in 1986 and 1987 as the Government begins repayment of the debt incurred on behalf of the Hotel Corporation with debt service payments rising to US\$62.0 million and US\$57.0 million respectively^{6/}. Nevertheless, given the strong economic performance recorded thus far in 1985, no extraordinary difficulty is to be expected and the overall debt service ratio will increase only marginally in these two years.

^{6/} Following the World Bank mission's return from the field, the Government concluded a new loan with an external commercial bank syndicate for US\$125.0 million. Part of this loan (US\$97.0 million) represents a refinancing of one of the large Hotel Corporation loans, with the remainder (US\$27.0 million), to be applied to tourism development projects in the Family Islands. The terms of the new loan include a one year grace period and repayment over seven years with an interest rate of 1-1/8% over Libor. As a result of this transaction, which is to be finalized in February 1986, the external debt service requirement for 1986 and 1987 will have been significantly reduced, with a significant prolongation of the amortization schedule of the Hotel Corporation loans.

CHAPTER III - SECTORAL ISSUES AND DEVELOPMENT STRATEGY

Introduction

3.01 The economic performance over the past three years, and the positive outlook in the immediate future, augur well for the Bahamian economy. Nevertheless, the development challenges are no less severe, and the country's susceptibility to external events imparts a volatility to economic performance that demands frequent and careful monitoring and speedy policy responses. This is particularly true of the balance of payments and the susceptibility of private capital flows to internal and external interest rate differentials. The medium term economic policy may be characterized in four broad objectives. First, there is a need to ensure that the comparative advantage of the country's leading sector is not eroded and is progressively enhanced. This will require attention to price movements and the underlying cost structure, the efficiency of the supporting infrastructure, and external investor perceptions and confidence. Second, greater attention needs to be focused upon the regional distribution of future growth and income distribution in general. Third, given the high percentage of the population under sixteen years of age, and the projected volume of school leavers, appropriate job creation will be another priority. In the recent past, the labor force has been expanding at about 4 percent a year, and this rate should increase in the near future. Finally, given the increasing sophistication of the economy, the operating efficiency of the whole public sector needs to be continually upgraded in order to match the expectations of an increasingly more affluent population.

3.02 With regard to the first broad objective, careful attention must be directed toward wages, particularly in the public sector that might have a demonstration effect elsewhere, to ensure that the pace of growth is moderate. An active dialogue with union and industry representatives should facilitate and foster understanding of the need to remain competitive. Further, some attention may be directed toward the underlying cost structures, which could serve to both hamper the rise in direct input costs and moderate nominal wage demands. This means a continual drive to improve the productivity of the respective utilities, to forestall increases to rates which are already high, and seek means to further improve the transportation and distribution systems. Analysis of the Department of Statistics Survey of Retail and Wholesale Establishments for 1982 provides some interesting results which, while not definitive, are sufficiently interesting to warrant further investigation. In this analysis, it was found that the average gross markup (addition to the cost of purchase after duties and taxes) in the wholesale food, beverage, tobacco and other wholesale categories, was 66.0 and 48.5% respectively. This average markup was greater in all but the furniture category, of the average markup found for various categories of the retail trade. This situation is contrary to what we would normally expect given operating practices in other countries. Finally, with regard to the overall objective of maintenance of cost competitiveness, it will be important not to encourage import substitution, shielded by high protective tariffs or quotas, that does not hold a reasonable possibility for cost efficient production when compared to more efficient producing centers.

3.03 The focus on the second broad objective is almost self-evident, given the heavy migration to New Providence over the last decade. In 1960, 59.6% of the country's population was in New Providence. By 1990, this percentage is expected to be 69.3%. The infrastructure and the economic opportunities in the Family Islands needs to be expanded and thought should be given to differential incentives that would encourage this, particularly for the tourism and agricultural sectors. The third broad objective of employment creation is partly related to more balanced regional development. Further high levels of migration to New Providence place further strains on the supporting social and economic infrastructure and the islands' job absorptive capacity. Another component concerns the relevance of the curricula in the education system and the need to expand vocational and technical training capabilities to equip youths and school leavers with skilled trades that have perennially been in short supply. Finally, as the economy expands and diversifies, there will be a concomitant need for the public sector to become more efficient and responsive to a more demanding business sector. Administrative procedures need to become less complex and time consuming, with enhanced interaction between the various components of Government and a systematic methodology for long range planning of capital spending and infrastructural needs. Also, government policies, particularly with regard to foreign investment, need to be clear and consistent, with appropriate legislative underpinnings that are understood by all government departments.

Tourism

3.04 Tourism is the most important sector of the Bahamian economy, accounting for about one third of GDP and employing, directly and indirectly, over half of the working population. Annex I in this report contains a detailed overview of the operations of this sector during the past five years. Growth in the sector, while subject to cyclical volatility, has exhibited a positive secular trend since World War II. Within the Caribbean region, The Bahamas has over twenty percent of total stopover visitor traffic, and also has a large share of cruise ship passenger arrivals. Most of the tourists to The Bahamas originate from the United States (85% in 1984), and this share has been climbing steadily since 1980, primarily as a result of the exchange strength of the US dollar, to which the Bahamian currency is tied, vis-a-vis other tourist market currencies such as Europe. It should be noted, however, that the current proportions of tourist origin were normal throughout the 1960s and early 1970s.

3.05 Following a major decline in visitor arrivals in 1981, concomitant with a recession in the US, there has been steady growth since, and the outlook for 1985 is also very positive. There is a strong positive

relationship between the performance of the tourism sector and the performance of the US economy.^{7/} Arrivals in the first four months of 1985 are 12% higher than the corresponding period of 1984. Even more impressive growth has been recorded in cruise ship passenger arrivals, which have almost doubled over the past five years. Most of this growth in stopover visitor and cruise passengers has been to New Providence, and in fact there has been a steady decline in visitor arrivals to Grand Bahama, the other main center, with the number recorded in 1984 at the lowest level in over five years. Furthermore, the growth in overall numbers masks another disturbing trend which is revealed by an analysis of total stopover visitor nights. In 1984, total visitor nights for the country were only 0.3% higher than that recorded in 1980. This less than proportionate rise in the volume of stopover nights is due to a decline in the average length of stay from 7.14 in 1980 to 6.46 in 1984, and, in part, reflects the increasing importance of short three or four day package vacations, and the rising importance of the Southeast of the US as a market source.

^{7/} Linear regression calculations were made for the period 1969 to 1984 utilizing the following specifications:

$$\begin{array}{ll} T_t = a + bY_t + e & S_t = a + bY_t + e \\ \log T_t = \log a + b \log Y_t + e & \log S_t = \log a + b \log Y_t + e \end{array}$$

Where T = total visitors; S = Stopover Visitors and Y = US GNP in 1962 prices. The results obtained were as follows:

$$\begin{array}{ll} T = -518.24 + 1.62Y & \log T = -1.79 + 1.28 \log Y \\ \quad (t = 6.80) & \quad (t = 6.16) \\ R^2 = 0.77 \quad DW = 1.64 & R^2 = 0.75 \quad DW = 1.72 \\ \\ S = -439.52 + 1.12S & \log S = -2.84 + 1.36 \log Y \\ \quad (t = 6.76) & \quad (t = 6.39) \\ R^2 = 0.81 \quad DW = 1.59 & R^2 = 0.79 \quad DW = 1.63 \end{array}$$

These results indicate that for every billion dollar growth in real US GNP, stopover visitor arrivals should increase by about 1100; or for every 1% growth in real US GNP, stopover visitor arrivals should increase by 1.36%. Interestingly, this income elasticity appears considerably lower than the 3.1% recorded in a regression run for the period 1958 to 1972, indicating possibly that the higher growth phase of tourism in the Bahamas is over and the sector is "maturing" and becoming less of a luxury item in the US consumer spending patterns. Also of interest, is that the above regressions were calculated using real US personal disposable income, but no significant relationship was found to exist between this variable and visitor arrivals in The Bahamas. This should not be taken to imply that US personal disposable income is irrelevant but rather it indicates that a more detailed and sophisticated model specification is called for, particularly one that incorporates price variables for The Bahamas and other, competing destinations.

Table 12: Tourism Summary Data

	1980	1981	1982	1983	1984
Stopover Visitors ('000)	1181.3	1030.6	1101.1	1240.0	1310.0
(% Change)	(4.6)	(-12.7)	(6.8)	(12.6)	(5.6)
Average length of stay (nights)	7.14	7.25	6.80	6.57	6.46
Tourism nights (Visitors x Aver. Length of Stay)('000)	8434.5	7471.9	7487.5	8146.8	8462.6
(% Change)	(6.5)	(-11.4)	(0.2)	(8.8)	(3.9)
US Visitors Share (%)	74.8	76.8	82.7	84.8	86.7
Available rooms	11489	11903	12406	13233	13449
Average Occupancy Rates (%)	69.1	59.8	58.2	63.3	61.6
Stopover Average Daily Expenditures (\$)	63.89	79.31	80.97	87.29	89.29
Total Stopover Visitor Expenditures (\$Million)	538.9	592.6	606.3	711.1	755.6

Source: Statistical Annex Tables 7.1, 7.2, 7.3.

3.06 While demand, as measured by total visitor nights, has grown back to 1980 levels, there has been a significant increase in supply, as measured by available hotel rooms, over the past five years. In 1984 there were 13,449 available rooms which represents a 17% increase in capacity over those available in 1980. Almost all of this increase has been in New Providence. As a result, given modest increases in visitor nights, there has been a decline in average occupancy rates and considerable discounting on room rates. The situation in Grand Bahama is even more serious, where not only has traffic declined due to adverse market perception, but considerable hotel capacity exists which is not presently being utilized. Within this market environment, the hotel industry in The Bahamas, on aggregate, is not very profitable by worldwide standards. In 1984, gross operating profit (income before depreciation and debt service) was 7.3% of operating revenues, which compares to a worldwide average of 26.0%. This income level would not normally cover fixed charges, let alone provide an attractive rate of return on capital employed. The strong demand witnessed thus far in 1985, suggests that both capacity utilization and average room rates will rise during the 1985/1986 winter season; however, enhanced profitability is not assured unless operating expenses continue to be contained. By worldwide operating standards, hotel operating efficiency in The Bahamas is not good. There are about 1.2 employees per room in The Bahamas as compared with an industry average of 0.8. Payroll and related costs amount to 38.8% of revenues in The Bahamas compared to a 28.9% worldwide average, and administrative and general expenses in 1984 accounted for 17.7% of revenues compared to the 8.5% average elsewhere. These averages in The Bahamas include, of course, both small hotels and guest houses and the larger resorts, and, in consequence may be somewhat misleading. Many of the larger hotels are very efficiently managed. Nevertheless, it does indicate that for the overall sector, cost competitiveness and containment should be of major policy interest, if the

long term state of the industry is to remain healthy. Further capacity increases may be expected in 1986 and 1987, both in New Providence and Grand Bahama, which could put further pressure upon occupancy rates and average room rates.

3.07 The Government-owned Hotel Corporation of The Bahamas owns seven major hotels in New Providence and Grand Bahama, which are either operated by lease or management contract or are awaiting suitable operators. The three hotels in Freeport have undergone, or are undergoing, renovation, and all are expected to be ready by early 1986. One recently opened (February 1986) and is to be operated in joint venture with a foreign investor. With respect to the general tourism promotion function, the Ministry of Tourism has been most effective, and through diligent market research, targets its potential customers most effectively through focused advertising. It is a large Ministry, with staff of 320, and 15 offices abroad. Cooperation with the private sector and island specific tourist promotion boards is good. The amount spent on advertising and other marketing programs in 1984 was \$13.5 million, which represents a ratio of \$5.87 for each tourist arrival. This is lower than other major tourist destinations in the Caribbean (Jamaica spends \$22.70 per visitor and Puerto Rico \$13.42) and, as such, could be increased. However, given the general sophistication of the Ministry's market intelligence network, the effectiveness of each advertising dollar spent may be somewhat higher than for other regional destinations. The highest growth origination points are Florida and Georgia in the United States, even though the Northeastern part remains the prime market. The promotional activities reflect this geographic origination.

3.08 The appropriate future Government tourism policy will need to encompass a number of factors. First, considerable attention must be directed to improving the traffic to Grand Bahama and the Family Islands. This will require considerable promotional efforts as well as improving access to the Family Islands. Second, improvements will continue to be necessary to improve the supporting infrastructure. In particular, the airport in New Providence requires expansion of the terminal and passenger processing facilities. Furthermore, efforts must be made to improve the poor passenger perceptions of Bahamasair and its inter-island operations. Third, the Government should carefully monitor the growth in capacity. While there is obviously considerable growth potential within New Providence, a too rapid expansion of total accommodations could impose severe burdens on the available infrastructure, particularly utilities. Furthermore, in order to stem the heavy intercountry migration, tourism developments must occur outside New Providence. Finally, the overall profitability of the hotel sector is materially influenced by the room capacity availability, and if this expands too rapidly, many operators may not survive. In particular, it is the smaller institutions, which are most likely to have Bahamian ownership, which suffer most during periods of lower demand or excess capacity. While it is crucial to expand employment opportunities via further investment in the sector, it is equally important to ensure that the existing industry remains healthy. Fourth, a careful watch should be kept on the price competitiveness of the sector. Visitor surveys suggest that many visitors have poor perceptions of the cost of meals, surcharges and taxes, transport and other non-room expenses.

Offshore Banking

3.09 Between the establishment of the first financial institution in The Bahamas in 1835 and the end of World War II, the financial sector in the country was primarily concerned with domestic, retail banking activities. Since this time, however, the sector has experienced very rapid growth in offshore banking and trust activities, following the growth in Euro-currency market activities. A variety of factors have accounted for this growth. In the 1950s, the major industrialized countries imposed a variety of foreign exchange and investment controls, which, together with high rates of taxation and a large volume of US dollars outside the United States, led to the search for financial centers that could circumvent the plethora of controls, maximize post tax yields and preserve capital values. The Bahamas, with no income taxation, liberal registration and licensing rules, bank secrecy enshrined in law, absence of foreign exchange controls on transactions between nonresidents, a reasonable infrastructure in the same time zone as New York, and political stability, seemed ideally suited. As a result, by 1965, more than 600 companies had established themselves in The Bahamas. Some of these concerns were of questionable financial integrity, and the Government quickly realized that the country's existing banking legislation (the Banks Act of 1909) was inadequate to the task of regulation in a major offshore center. Thus, in 1965, the Banks and Trust Companies Regulation Act was passed, which allowed for a more appropriate system of licensing and supervision. Following this move, the number of financial institutions declined. However, since that time there has been steady and consistent growth, even since the establishment of the Central Bank in 1974, which increased supervision and regulatory functions. By the end of 1984, 363 banks and trust companies were licensed to operate in The Bahamas. While the exact volume of business undertaken is unclear, estimates indicate external assets and liabilities of about \$160.0 billion by mid-1984.

3.10 This growth over the past three decades has meant that banking and finance is the second most important economic activity in the country. The direct benefits of offshore banking are more closely related to the number of banks rather than in the nominal volume of business routed through the centers. In this regard, The Bahamas has done very well, although accurate measurements of the economic benefits accruing from offshore activities are difficult due to the difficulty in separating these benefits from those derived from the banking sector as a whole, as a number of institutions operate both offshore and within the domestic market. Nevertheless, the Central Bank has endeavored to produce some estimates. These indicate that employment attributable to the activity reached nearly 900 by 1983, of which 85% were Bahamian. This proportion has been increasing over the last decade, indicating that Bahamians have been slowly moving into middle management positions. Furthermore, within the whole banking sector, considerable in-house training and education is undertaken which could further expand overall Bahamian involvement in the offshore sector. Government fees and charges on the sector are modest at about \$1.7 million in 1983, which represents about 0.5% of Central Government revenue. Local expenditures generated by offshore activities also represent an economic benefit. In 1983 this was estimated to be \$43.9 million of which \$16.7 million was salaries of the workforce. This represents a positive gross contribution to the balance of payments, but of course, the net contribution will be somewhat lower, dependent upon the respective income multiplier and import income elasticities. While these direct benefits are more quantifiable, there are other benefits which

assist general economic growth. It has been argued that the existence of the offshore sector in The Bahamas has improved the Government's access to international capital markets. This access has been demonstrated over the past five years (the Cable Beach construction loans for example), however, whether the interest rates charged are lower than they would otherwise pertain in the absence of the sector, is unclear. Also, the telecommunications system in the country is now quite advanced, which, while it may have imposed certain capital development costs, the existence of heavy users of the system has assured its financial viability. This system obviously represents a benefit to other sectors of the economy. As noted earlier, the sector has fostered over the years a cadre of local, highly trained staff, both within offshore banking and in the ancilliary services (accounting, law, computing) which serve the sector. Furthermore, the existence of this pool of skills and ancilliary services is an attraction to other forms of commercial activity, whether it be offshore or domestic production. Finally, the Government considers that a certain amount of complementarity exists between a sophisticated offshore financial center and the country's tourist product, insofar as a variety of business meetings and conventions are held in the country because of the quality and breadth of tourism facilities.

3.11 In contrast to the perceived benefits, the economic costs are considered slight. The real opportunity cost of lost output in other parts of the economy is small due to both the lack of real alternative uses for resources used and the underemployment in most other sectors. Any untoward impingements upon the local monetary system, and hence monetary policy, are negligible due to the Government's deliberate policy of segregation of offshore banking business from domestic banking business. This segregation is effected through the rigid application of exchange control regulations. Purely offshore companies, which are designated nonresident, may operate without restrictions in the international market, but require the Central Bank's approval for any transactions in Bahamian dollars. Thus, for example, in circumstances of excess liquidity, local financial institutions cannot deposit funds with the offshore banks, since the latter are not permitted to hold Bahamian dollars except to cover local expenses. Finally, the real cost of supervision of the sector by the Central Bank is relatively low, and this has been further facilitated by the sector's own code of conduct as put forward by the Association of Offshore Banks and Trust Companies.

3.12 The overall outlook for the sector appears good, although the pace of growth of employment creation may moderate over the next decade. While the volume of business and banking transactions increase rapidly, this is unlikely to lead to a similar increase in staff, due to underutilized capacity and further advances in office and telecommunication technology. To offset this trend it should be noted that trust and financial management services are more labor intensive and this form of offshore activity has been increasing in recent years. Also, there has been an increasing trend for some of the Euro-currency banks to float debenture bonds from their Nassau office. Both hold the prospect for further value added in the sector and higher employment. While there has been this trend in The Bahamas to move towards "functional" versus "paper" operations, it is still mainly a booking center. It would be desirable to encourage further this trend, as the demand for individual "paper" centers is very sensitive to minor changes in charges and regulations, as it is fairly easy to relocate operations. "Functional centers", such as Singapore or Bahrain, are less sensitive, both because they generate

profits in their own right and there is a higher capital commitment to the center. In other respects, however, The Bahamas does already enjoy considerable advantages that should ensure that its offshore banking activities remain. First, the demand for a given center is positively related to the number of institutions already located in the center, as most operations are interbank, and there are external economies associated with operations in a single center. This does present a substantial barrier to entry for new centers that may wish to start, particularly in the Caribbean region. Second, most observers believe that the coverage, particularly geographically, of the existing offshore centers, is very near saturation point.

3.13 It was felt at one time that efforts to forestall any further growth in offshore financial activities by some large industrialized countries would prove detrimental to The Bahamas and other "paper" centers. And, in fact, the growth of Bahamian offshore banking did level off with the initiation of International Banking Facilities (IBFs) in New York in December 1981, and subsequently in other US regional money centers. Nevertheless, these fears have proven to be unwarranted. It is now recognized that IBFs are not suitable for booking certain types of deposits, and Federal Reserve Board regulations prohibit IBFs from issuing negotiable certificates of deposit or taking non-bank deposits of less than \$100,000 at less than 48 hours maturity. Possibly more importantly, IBFs are subject to every aspect of the US legal and regulatory system. It is noteworthy that no foreign bank branches have closed as a result of the IBFs.

3.14 Another area of concern for The Bahamas, and other offshore financial centers, is client account secrecy and the demands that have been made by some Governments' law enforcement authorities for disclosure of account information. The Government of The Bahamas has sought to cooperate with other Governments in establishing an appropriate framework and set of rules for such information flows. However, it has started that a prima facie case must be established against an individual and that the supposed crime is also an offense under Bahamian law. As such, evasion of taxes is not grounds for supplying another Government with account information. The Central Bank believes that the problem of criminal elements utilizing offshore financial centers can be met by proper and more effective bank supervision and several of the supervisory measures that have been taken in the past year have been aimed at discouraging illegal transactions. This, together with the increasing recognition that this problem must be dealt with in an international context, appears to have forestalled any bilateral crises.

3.15 There are a number of other offshore activities that the Government of The Bahamas would wish to see further developed. One includes offshore insurance and reinsurance, particularly captive insurance companies (those owned by a large multinational to handle the parent companies' insurance needs). In the 1960s, there was quite a large number of captives in The Bahamas, however, due to some ambiguities in the local regulatory legislation, particularly a 1% insurance premium levy, most of them moved to other countries, such as Bermuda and the Cayman Islands. Amended legislation has been introduced in 1983, that removes all taxes on premiums and restrictions on investments. It is hoped that this amendment, together with the already existing network of complementary infrastructural

facilities, will bring back much of this insurance business. A specialist advisor has recently been employed by the Government to assist in this development of the captive market. The other area of promising offshore activity concerns shipping flags of convenience. The Bahamas is now believed to be the third largest flag of convenience registry in the world. Since January 1985 very rapid growth in ship registry has occurred, such that by mid-year, 304 ships, with a gross tonnage of 3.68 million, were registered. In 1984, Government revenues from this source totaled \$1.279 million, and it is expected that by the end of 1985, these revenues should rise to \$2.5 million on a registry of 5.0 million gross tons. Bahamian success in this venture is largely attributable to the early development work undertaken by specialist consultants, culminating in the Merchant Shipping Act of 1976, which laid down procedures and safety regulations that are acceptable to the more reputable shipping insurance entities.

Manufacturing

3.16 It has been a constant desire of successive government administrations in The Bahamas to expand the country's manufacturing and industrial output. This desire has been manifested in a variety of incentive legislation that has been passed in the past twenty-five years. This includes the Hawksbill Creek Agreement (1955), which provided a mandate for the Grand Bahama Port Authority to develop industry on that island; the Industries Encouragement Act (1970); the Agricultural Manufacturers Act (1971); and most recently the Free Trade Zone Act passed at the end of 1984. All these acts provide for duty-free importation of raw material and capital inputs and a variety of tax exemptions. While some large scale industrial activity (oil refining and chemical and pharmaceutical production) has been attracted to Grand Bahama, the manufacturing sector in The Bahamas is relatively small, accounting for about 10 percent of GDP, with very little linkage developed with other sectors of the economy (although there are some limited agricultural food processing facilities). The performance of the sector is determined by external demand, which in 1980-81 was very depressed causing the steel and cement plants to close. Since then there has been some improvement, driven by exports of chemical and pharmaceutical products. However, the oil refinery has been experiencing considerable difficulty, and by mid 1985, refining activity had ceased, leaving only a transshipment and bunkering facility.

Table 13: Exports of Selected Manufacturing Companies

(Millions B\$)

	1980	1981	1982	1983	1984
Chemical Products	49	50	67	84	101
Alcoholic Beverages	19	14	16	13	18
Cement	14	2	2	-	-
Salt	4	6	8	8	9
Steel Products	4	-	-	-	-
Output of Refined Products ('000 barrels per day)	222	130	99	176	150

Source: IMF Staff estimates

3.17 In recognition of the need to encourage foreign investment in the sector, the Government has endeavored to enhance its promotional and informational capacity. In 1981, the Bahamas Agricultural and Industrial Corporation (BAIC) was established to act as a central agency for all potential private investors seeking advice and assistance on investment opportunities. The gestation period for this entity has been long, primarily due to a lack of financial and staff resources, however the promotion function is coming on stream. BAIC is utilizing the UNIDO investor search networks based in New York, and is in the process of developing a variety of project profiles for likely manufacturing activity and an investment guide. Furthermore it is engaged in a search for a suitable management company to administrate the newly created Free Zone in New Providence.

3.18 Given the country's close proximity to the United States, its position in relation to already established shipping routes, and the potential access to U.S. markets as a result of the Caribbean Basin Initiative, the Bahamas does have potential for further industrial expansion. The exact nature of this expansion is far from clear however. The Government has its desire to foster labor intensive activities, particularly in the new Free Zone in New Providence, however, several existing firms have stated they have encountered difficulty in acquiring reliable, adequately trained labor, and that the wage rates in the country are rapidly approaching comparability with those in the United States. Thus, notwithstanding transport cost advantages, it is unlikely that the Bahamas will be able to compete for labor intensive manufacturing with other Caribbean countries. Most of the industry that has located in the country has been capital intensive, and, with the possible exception of some agro-processing activities, this tendency is likely to continue. In this situation, it behooves the Government to endeavor to raise the technical skills capability of the potential workforce and concentrate its promotion efforts on higher technology type operations. Furthermore, while some scope for import substitution does exist (possibly in some agricultural and agro-processing activities), the small size of the domestic market inhibits the realization of scale economies for most manufacturing operations. It will be important to avoid import substitution activities that require high levels of protection as this could significantly influence the cost competitiveness of other, more important sectors, such as tourism. Finally, while the increased promotional activity is commendable and necessary, it is equally important to ensure that the supporting government administrative system is efficient and facilitative. Some existing manufacturers have encountered delays in administrative requirements, such as residence permit applications for expatriate technical and managerial labor.

Agriculture and Fishing

3.19 The Government attaches considerable policy importance to the expansion of domestic agricultural production to reduce import dependence (about 85% of locally consumed food is imported), increase the agriculture sectors linkage to the tourism sector, and expand and diversify the export base. Over the past decade, the various programs that have been instituted as a result of this policy, have enjoyed varying degrees of success and total agricultural and fishing activities still account for less than 5% of GDP. The sector is dominated by small scale operations with production of poultry, fruit and vegetables for the local market, with some exports of citrus fruit and seasonal vegetables. Overall agriculture and fishing production improved significantly in 1984, rising by 25% over 1983. This was due to increases in poultry production (21.5%), fruit and vegetables production (36.4%) and crawfish exports (25.4%). Exports of scale fish came to a virtual halt in 1984, as the major exporter introduced alterations to an existing storage facility.

3.20 Government efforts to encourage local agricultural production include providing farmers with a guaranteed minimum price for output from the Government administered Produce Exchanges, and imports of fruits and vegetables have been regulated by the Department of Agriculture since 1981. During periods of local supply, the granting of import licenses is restricted. Furthermore, the Department operates a smallholder credit scheme providing up to \$300.00 per acre, free of interest charges, and exceptions on import duty for capital inputs. There are a variety of research and technical assistance programs, with on-site extension available.

3.21 Despite these efforts, considerable expansion potential exists for a wide variety of crops. It is estimated that about 40,000 acres are presently cultivated, which represents only about 10% of the acreage that is suitable for tillage. A variety of impediments are inhibiting the fulfillment of this potential. Local labor is expensive and difficult to obtain, which in turn demands a high degree of mechanization on relatively large holdings to be economically viable. This further demands a high level of technical sophistication and scientific farming practices, which in most cases, is not available locally. The Government recognizes the importance of foreign investment, and the technical expertise inherent in such investment, however, the Government policy is not clearly articulated. The Department of Agriculture follows a policy of advising potential investors that for investments below \$2.0 million, the equity participation in the venture must be at least 60% Bahamian. This policy has no legislative underpinning. While no comment can be made on the policy itself, the uncertainty engendered by the lack of a clear and consistent

policy, within a legislative framework, may inhibit the flow of foreign investment into agricultural activities which have both a domestic and export focus. In the absence of such investment, the pace of development of export crops in The Bahamas will be slow.

3.22 Another inhibitor to development of the sector concerns the domestic marketing arrangements. The system of island-wide Packing Houses and Produce Exchanges in Nassau and Freeport, introduced in the mid-1970s, is currently losing about \$3.0 million per annum, with a cumulative deficit of about \$18.0 million. The overall goal of the scheme, as noted above, has been to assist small scale farmers, particularly in the Family Islands. No budget provisions are made for this scheme; the Treasury provides the funds in the form of "advance accounts", with receipts from sales offset against these accounts. There is no annual consolidation of the costs of this scheme, and, as such, expenditure control is difficult. The scheme has made deficits since its inception, in part because of high spoilage rates, poor quality standards and high overhead costs. A fundamental flaw, is that the scheme purchases farm produce with no limits with regard to quantities purchased. In 1984, purchases totalled \$3.65 million, whereas sales realized \$1.1 million. While the subsidy elements inherent in the present operations may be deemed appropriate from a development and sociological viewpoint, it is clear that a regularization of the financial monitoring and controls is needed. Only in this manner can the full costs of the scheme be periodically compared to the benefits derived. Furthermore, a review of operational procedures, with the object of improving quality control, pricing policy and supply management, is urgently required.

3.23 As with agriculture, there is considerable scope to expand the Bahamian fishing industry, which is at present unable to supply fish in sufficiently regular quantities, of the requisite quality, to meet the domestic demand. The industry, while small, is important to certain Family Island communities, but one of the major constraints is a lack of manpower and adequately trained personnel, due to the attraction of better paid jobs in other sectors. Various efforts are being made to encourage young people to enter a fishing career, with a variety of training programs. Furthermore, efforts are being made to expand the supporting processing and marketing infrastructure. A central landing facility, with cold storage, was established in Nassau in 1983, and despite some machinery problems is now back in operation. A review and redrafting of a variety of fishing regulations is under way, that should both upgrade quality standards and provide a sound foundation for improvements in the marketing systems. Aquaculture has significant potential and foreign investment is being sought.

3.24 While there is considerable potential to expand agricultural and fishing activities, the Government must place development in this sector in the context of the country's present comparative advantage and wage structure. Long term protection and subsidization of a high cost, inefficient sector will not serve the country's development interests. The country's proximity to the Southeastern US means that the cost efficiency of production will have to be comparable if the sector is to enjoy long term growth. To achieve this, the scale of operations will have to increase and the technology employed to be of a high standard. The capital

cost inherent in such types of farming means that foreign investment and joint venture activity is of crucial importance. This investment brings both the technological expertise and marketing knowledge necessary to establish a viable export sector. In this context, it is imperative that the Government's policies pertaining to foreign investment in the sector are both clear and realistic.

Social Sectors

Education

3.25 The Government of The Bahamas has made a major effort to enhance the country's education system over the past two decades. Expenditure on education rose from 10.7% of government expenditure in 1955, to a peak of 24.99% in 1974, declining to 17.36% by 1984. In the early 1970s, a large expansion of secondary schools and teacher accommodations occurred in the Family Islands which substantially improved the availability of higher education to poorer sections of the community. Furthermore, there has been a steady effort to improve the quality of the teaching staff and the relevance of the education curricula. In 1975, the ratio of trained to untrained teachers in Government schools was 2.1 to 1, by 1984 this ratio was 5.8 to 1. Furthermore, there has been a steady decline in the student to teacher ratio, which, for the system as a whole, was 34 to 1 in 1976 and 21 to 1 in 1983.

3.26 Despite these advances a number of problems remain. First, the economy has not expanded and diversified regionally, with the result that migration from the Family Islands to New Providence has been large. Thus, in some respects the educational infrastructure created in these islands is being under-utilized (the student population in the Family Islands was 9.8% lower in 1983 than in 1974). Furthermore, the cost of provision of the service, on a per student basis, has risen with the result that some consolidations may be necessary at a future date. Second, while the coverage of the educational system has improved immensely, quantitative measures indicate that the quality of the system needs further enhancement. The high school drop out rate is large at about 35% of the total school leaving age and this percentage has not really declined over the past five years. Furthermore, the success rate on external and national exit examinations needs to be improved. Finally, there is need to expand technical and science training, particularly as these pertain to specific industrial vocational skills to overcome shortages in the industrial and construction sectors. The Ministry of Education is aware of all these problems and challenges and is endeavoring to introduce the qualitative improvements necessary. In particular, strong emphasis is now being placed on an industrial training program, in conjunction with the private sector and the College of The Bahamas.

Health

3.27 Substantial progress has to be made in The Bahamas in the provision of health care and the general health of the population. Life expectancy has consistently improved and the crude death rate declined from 6.5 per 1,000 in 1970 to 5.0 per 1,000 in 1980. Available hospital beds have increased by 10.5% over the last decade and doctor and nurse patient ratios have improved by 37.6% and 36.0% respectively over the same period.

Child diseases have declined dramatically following a comprehensive system of inoculation, with a goal of 90% coverage by 1986. There were no cases of diphtheria, tetanus or poliomyelitis in 1984, and there are no major malnutrition problems. In many respects, the country is beginning to experience so-called developed country diseases such as diabetes, cancer and hypertension.

3.28 Despite this progress, further developments are necessary in certain key areas. The remoteness of some of the islands does affect the quality of health care provision, and the Ministry of Health recognizes the need to upgrade clinics in the Family Islands, which in some cases are quite rudimentary. The main Princess Margaret Hospital in New Providence is in need of expansion, as is the Grand Bahama Hospital. While there is generally adequate staffing in the professional categories, the availability of support staff (in laboratory services and radiography, for example) have created problems, and the Ministry of Health is actively seeking to sponsor training in a number of these areas. In the longer term, the Ministry of Health is to focus on two new policy thrusts. First is a desire to establish a proper system of environmental control and monitoring, particularly with regard to waste disposal. Second, a review is presently being undertaken of possible alternative mechanisms for the provision of health care. This includes an assessment of the feasibility of instituting a national health insurance scheme. No decisions have been made on this. However, there is a growing recognition that increasing public contributions to the health care system are necessary. In April, a variety of service fees at the major hospitals were raised, the first change in ten years, as a result of rising costs. In 1984 the Princess Margaret Hospital had costs of \$28.5 million and fee revenues of \$1.4 million. Out-patient fees have been raised from \$1 per visit to \$10, together with increases in the whole gamut of support services. In-patient prices were to be raised in July 1985. In general, these measures are appropriate given the increases in income per capita over the last decade and the need to ensure that the consuming public is more fully aware of the resource costs of the health care system. Under the past rate structure, over a ten year period, the number of out-patients nearly doubled. Many of these visits the health care professionals considered unnecessary, and attributed to the very low tariffs involved.

Housing

3.29 The country is facing a housing shortage, which will become more acute over the next decade, unless a variety of measures are taken. Between 1970 and 1980, population has grown faster than the number of households (23% versus 19%), with more than 5,000 households presently occupied by two or more families. New housing production over the past decade has been below required levels, creating a backlog of housing demand, particularly for the lower income groups. In addition, considerable rehabilitation is needed of the existing housing stock. Of all housing, 40% is considered to be in average to poor condition, and 2 out of 3 households do not have water piped into the dwelling.

3.30 A number of factors may account for this situation. Mortgage financing has not generally been available to lower income groups, and even where available, has been inhibited by a very poor land title

administrative system that created clear title problems. The residential construction industry in The Bahamas is underdeveloped, with many small contractors of low productivity. As a result, costs are high and experimentation with alternative and cheaper methods has been deficient. Finally, Government initiatives in the sector, until the early 1980s, have been deficient.

3.31 In early 1984, a housing needs survey was completed which gave some indications of what would be necessary to rectify this situation over the next decade. It is estimated that about 2,000 new units per annum will be needed, mostly in New Providence. This requirement is double the level of housing production achieved during the earlier years of this decade. Of this requirement, over 50% will be for housing costing below \$35,000 (1984 dollars). This rate of construction should increase investment in housing to about 5.5% of GDP, as compared to the 3 to 4% recorded previously. In conjunction with this increase in construction, the availability of new mortgage financing will have to double to about \$52.0 million per annum.

3.32 In recognition of these difficulties the Government is increasing its involvement in the housing sector. In 1981, the Government started an urban project in the Grants Town area of New Providence, which included rehabilitation of individual houses and construction of new homes on vacant lots in the project area. Furthermore, the project's scope was extended to include the construction of public housing rental units for low income families and senior citizens. In 1983, the Housing Act was amended, the Ministry of Housing and National Insurance was reorganized and the Bahamas Mortgage Corporation was formed. The Ministry is putting forward a seven year housing program designed to address the shortages of low income housing. This program includes private construction incentive grants for low income housing construction. The Bahamas Mortgage Corporation has enjoyed considerable success since its inception with about 370 loans on repayment by early 1985, with a large backlog of mortgage applications pending. To further consolidate the progress made, two further areas require attention. There is an urgent need to develop a system that will resolve the land title problems that presently exist and facilitate title transfers in the future. And, there is need for a comprehensive physical development plan for New Providence that covers land use, zoning, infrastructural and utility requirements and environmental and ecological factors. This latter exercise would facilitate the programming of needed public investments when required.

CHAPTER IV - ECONOMIC PROSPECTS AND FUTURE ISSUES

4.01 The primary economic management and development challenge for the Government of The Bahamas is to sustain the considerable economic progress made in the last three years and to encourage further an equitable regional distribution of this growth. To a large extent, the pace of future economic growth is out of the Government's hands insofar as the country's main sector is so dependent upon economic performance in the United States. While the Government's diversification efforts in agriculture and industry may help to reduce the level of this dependency, it is unlikely that any significant reductions will be made over the next decade. Given this situation, it will be crucial that the Government monitor, very carefully, balance of payments performance and fiscal balances, in order to react speedily should overall economic growth become less robust. Net private capital flows into the country have historically exhibited very volatile year to year movements, which, when combined with the inherent volatility of tourism visitor arrivals, contribute to considerable pressure on international reserves. As a result, it would be prudent to target a longer run increase in the reserves to import coverage over the next decade.

4.02 The economic projections discussed in this chapter, and the baseline scenario shown in Tables 9.1 to 9.4 in the Statistical Annex, attempt to show possible quantitative macroeconomic implications, given certain determining assumptions. It should not be construed that these baseline projections represent the most likely scenario, but rather indicate the magnitude, and direction of movement, of certain policy variables, should the underlying assumptions occur. To complement this analysis, a variety of the underlying assumptions are altered in order to assess possible policy choices and focus attention on certain structural weaknesses.

Baseline Projection Assumption

4.03 As was noted in Chapter III, the relationship between stopover visitor arrivals in The Bahamas and the US GNP is positive and robust. The elasticity found was 1.36, which was somewhat lower than that found for an earlier decade. Given this relationship, and the importance of the sector to the overall economy's fortunes, the performance of the US economy should have a significant influence on Bahamian economic performance. Projections for US real economic growth were drawn from World Bank estimates and the elasticity of 1.36 applied to obtain growth in stopover visitors. Past cruise visitor arrivals have been more vigorous, hence, this category was assumed to grow more strongly for 1985 to 1987, but then follow the same growth trend as stopover visitor arrivals. Utilizing average daily expenditure, in 1977 prices, and average length of stay data, tourism expenditure was calculated in 1977 dollars. Further, utilizing past ratios of tourism expenditure to GDP (50.5% average), GDP at constant market prices was projected out to 1995. Other exports of goods were projected to grow at the resultant rate of GDP growth, and other services, which include local expenses of offshore companies, were projected to grow at a more moderate pace of 2% due to the reduction in oil refinery operations and slower growth in the offshore banking labor force.

Table 14: Growth Assumptions

	1985	1986	1987	1988	1989	1990-1995
US GNP Growth (%)	3.3	2.8	2.8	2.8	3.5	3.0
Stopover Visitor Growth (%)	4.448	3.810	3.810	4.60	5.032	4.08
Cruise Visitor Growth (%)	7.0	7.0	6.5	4.760	5.032	4.08
Stopover Visitors ('000)	1354.5	1400.6	1476.8	1547.1	1616.5	2131.2 (1995)

4.04 Imports of goods and non-factor services were projected to grow at the same pace as GDP with the exception of oil imports which were projected to grow at 80% of the GDP growth rate to reflect economies and efficiencies expected in electricity generation and slower growth in the overall domestic transportation sector. This assumption of unitary income elasticity for most import goods may understate the true propensity to import with respect to income. Over the previous five years, data indicate an average elasticity of about 0.85 in nominal terms and 1.35 in real terms. This difference may be explained by an improvement in the terms of trade facing The Bahamas, which is not projected to continue. Furthermore, as the Government has evinced a strong desire to reduce food imports and improve domestic agriculture, the present unitary elasticity assumption should represent a realistic point of departure. This assumption is changed, and its implications assessed, later in the Chapter.

4.05 Price indices relevant for exports and imports were made up as follows: for export goods the World Bank's manufacturing value index (MUV) was utilized; for imports of goods, an index was constructed reflecting both the MUV and projections of the US producer price index. Oil import prices were projected according to the World Bank's commodity price projections, and prices for non-factor services were projected to follow projections of the US GDP deflator. For tourism and other service export earnings, a composite index was constructed utilizing food commodity price projections and the MUV.

4.06 For the remainder of the national accounts, public investment was presumed to grow at the same pace as GDP growth, whereas private investment was constrained to 2 or 3% for the 1985 to 1988 period, to reflect lower hotel and housing construction activity, but was presumed to grow at the same rate as GDP thereafter.

4.07 The final important area of projection construction concerned the public sector. With respect to current revenues, taxes on international trade were projected to maintain the same relationship to imports as shown in the past (about 20% average over the past ten years). This ratio is somewhat lower than that exhibited in the past two years, but as noted in the preamble to the Statistical Annex, some discrepancies in the trade data may exist and until a final set of trade data has been completed, the 20%

ratio represents a cautious compromise. Tourism taxes are expected to remain at 7.3% of stopover expenditure (reflecting the previous five year average) until 1988, from when they are presumed to increase to 8.0% as a result of further casino capacity in Freeport. Property taxes are expected to grow substantially over the next four years, from 0.76% of GDP in 1985 to 1.25% of nominal GDP in 1988. This reflects the Government's stated desire to improve and update the collection and valuation system. It is presumed to remain at 1.25% of nominal GDP from 1988 to 1995. Other taxes and non-tax revenues are presumed to maintain past ratios with respect to GDP and remain at 1.78% and 4.3% respectively over the complete projection period. Central Government current expenditure was presumed to grow at approximately the same rate of growth as nominal GDP at market prices, with slight variations due to interest payment variations. With respect to the public corporations, revenues were presumed to grow either at the pace of growth of nominal GDP or tourism expenditures, depending upon the corporation's activity. Expenditures were presumed to grow at the same rate as nominal GDP, except for the Broadcasting Corporation and Bahamasair, which are expected to moderate their growth in current expenditure in line with Government policy to improve the efficiency of operations of both corporations. In the absence of a detailed consolidated public sector investment plan, public sector investment expenditures were arbitrarily split between the Central Government and the public corporations.

Baseline Projection Results

Table 15: Selected Macroeconomic Indicators - Baseline Scenario

	1983	1984	1985	1990	1995
<u>% of GDP mp (real)</u>					
Investment	23.3	21.4	21.9	22.0	22.2
Public	6.5	2.8	5.6	5.7	5.8
Private	16.8	18.6	16.3	16.3	1.3
Consumption	67.2	66.9	66.4	67.0	65.9
Public	15.2	15.0	14.9	14.9	14.9
Private	52.0	51.8	51.4	52.0	51.0
Domestic Savings	32.8	33.1	33.6	33.0	34.1
<u>% GDP mp (nominal)</u>					
Cntl. Govt. Current Revenue	20.2	20.4	21.2	22.0	21.8
Cntl. Govt. Current Expen.	20.5	20.0	19.9	19.7	19.5
Pub. Sector Current Acct.	1.5	4.0	4.3	4.9	4.8
Internal Debt	18.3	18.2	19.9	21.7	16.2
<u>% GDP mp (nominal)</u>					
Export GNS	74.2	74.1	73.0	80.9	79.6
Import GNS	64.7	62.8	62.0	68.7	69.1
Resource Balance	9.5	11.3	11.0	12.2	10.5
External Debt	15.3	12.3	10.1	2.4	2.8
Reserves/Imports (weeks)	6.4	7.9	7.5	8.8	12.1

Source: Statistical Annex, Tables 9.1, 9.2, 9.3, and 9.4.

4.08 Within the framework and constraints of the assumptions above, the outlook for the Bahamian economy is very positive. The resource balance widens to a peak of 12.2% of GDP in 1990, and thereafter declines to a level comparable to that of 1983 and 1984. Public sector performance improves steadily, with a Central Government current account balance rising to 2.3% of GDP by 1990 and remaining at this level thereafter. The main difficulties will occur over the early part of the projection period, from 1985 to 1989, when total external debt amortization requirements total US\$200.0 million^{8/}. Given the modest private capital inflows projected and the modest level of future external debt disbursements assumed throughout the whole projection period, considerable domestic borrowing will be required (an additional \$164.0 million from 1985 to 1989 over and above the generated surplus of the National Insurance Board). There are, of course, other options available which include lower levels of public sector capital expenditure, and a rescheduling or refinancing of some of the external debt obligations to encompass longer repayment schedules. Initial discussions have already been undertaken with regard to the second option. If neither of these options is followed, the situation will ease substantially from 1990 onwards, such that the ratio of internal debt to GDP will fall to 16.2% by 1995, from a level of 23.2% in 1989. External debt will remain modest, rising marginally to 2.8% of GDP by 1995, and external debt service requirements will also remain very low at about 0.5% of exports of goods and non-factor services. From 1990 onwards there would be a steady rise in net external reserves, reaching the equivalent of 12.1 weeks of imports by 1995, from a low of 6.4 weeks in 1983. It should be noted, that the reserve position crucially depends upon the flows of public and private capital. This latter category has exhibited considerable volatility in the past, and as such, warrants careful monitoring and speedy adjustment of domestic interest rates to maintain positive levels of private capital inflows. Alternatively, in the event of lower than expected capital flows, demand management policies will be necessary, particularly on domestic consumer credit creation, to reduce import levels and raise the current account balance.

4.09 The economic scenario discussed above represents one of many possibilities, and given the strong stopover visitor growth, may be construed as quite optimistic. In order to more fully explore policy ramifications, a variety of the baseline assumptions are altered and discussed below.

Alternative Scenarios

4.10 Scenario 1. Slower US Growth Rates - Slower rates of growth of real US GNP, will influence the pace of growth of stopover visitor and hence Bahamian GDP. Projections of US GNP growth were lowered (2.5% in 1985, 1.5% in 1986, 3.0% in 1987, 2.5% in 1988 and 3.0% in 1989 to 1995) and applied to the baseline model. In this situation, very little variation was noted in most macroeconomic variables, other than a real GDP that was 7.8% lower in 1995 when compared to the baseline projection. There was a modest deterioration in the resource balance of the balance of payments, as a result of lower export levels.

^{8/} As noted in paragraph 2.22 of Chapter II, the Government has taken steps to refinance a significant portion of the Hotel Corporation loans. As a result, the amortization schedule should be stretched out, with the result that projected domestic borrowing requirements should be lower.

4.11 Scenario 2. Higher Import Income Elasticity - An import income elasticity of 1.1 was applied to the baseline projection. With all other parameters remaining the same, this adjustment had a significant impact upon the balance of payments, creating a growing current account deficit from 1991 onwards, contributing to a massive decline in net foreign reserves (a decline of US \$264.0 million in the four years up to 1995). Private consumption in 1995 would increase from 51.0% to 55.6% of GDP, and domestic and national savings would decline. The public sectors current account balance would improve, as a result of improved tariff revenues from the higher import levels, which in turn would allow for a more rapid decline in the Government's internal debt. Nevertheless, this overall macroeconomic situation would be unsustainable in the absence of very large private and public capital inflows. When this higher import elasticity is combined with the slower growth rates assumed above, the impact upon the balance of payments becomes less catastrophic, however, the situation would still not be sustainable. This scenario highlights the critical need to monitor import levels and institute timely remedial policy action to reduce aggregate demand in the event the external imbalance becomes too large. The policy options available include an increase in the price of domestic consumer credit and possibly, short term import tariff surcharges on luxury items and consumer durables.

4.12 Scenario 3. Lower Stopover Visitor Growth Sensitivity to US GNP Changes - The elasticity of stopover visitor growth with respect to changes in real US GNP has been declining since the early 1960s. To assess the implications should this trend continue, an elasticity of 1.0 was utilized instead of the 1.36 used for the baseline projection. Furthermore, with this lower elasticity, the slower US growth rates utilized in Scenario 1 above were introduced into the scenario. In this situation real GDP growth rates are much lower, with the 1995 real GDP being 16.6% lower than the baseline projection. Despite this, there was very little difference in the relative magnitudes of other macroeconomic variables. The level of internal debt remains almost unchanged in nominal terms, however, due to the lower GDP level, its relative size is significantly larger. If the higher import income elasticity of 1.1 is also factored into this lower growth scenario, Government revenues improve, and hence, this allows for a reduction in internal debt. The negative impact upon the current account of the balance of payments becomes apparent in 1992, although the imbalance, and hence the drain on foreign reserves, is less marked than the higher growth scenarios discussed above.

4.13 Scenario 4. Lower Efficiency of Government Revenue Collection - In 1983 and 1984, the Government introduced measures to improve import duty collections and raised tariffs on some items. In consequence, within the baseline projection it was assumed that there would be an improvement in the ratio of taxes on trade to total imports, to 20% from 18.9% in 1984 and 18.6% in 1985. It is conceivable that Government efforts will not be as successful as envisaged, due to both an increase in evasion (which has already occurred for some items) and liberal duty-free exemptions. Therefore, a lower ratio (19%) was introduced into the baseline model. In this situation, the overall public sector deficit increases to about 2.0% of GDP by 1995 and the need for domestic borrowings, in excess of the National Insurance Board surpluses, increases by \$222.0 million for the

period 1985 to 1995, such that internal debt stands at 21.1% of GDP (with a peak of 25.9% in 1989) in 1995 compared to the baseline projection of 16.2%. This could prove quite burdensome, particularly during the 1985 to 1989 period when large external amortization payments occur and impose considerable pressures on credit availability to the private sector. If this lower revenues efficiency scenario is coupled with the lower growth scenario in Scenario 1 above, the situation becomes worse, with internal debt rising to 23.2% of GDP in 1995. In both cases, there is no significant influence on the external account, although in the slower growth case, reserves improve due to the slower growth in imports. This situation changes, however, if the higher import income elasticity of 1.1 is introduced, which creates balance of payments current account deficits from 1992 on, and a reduction in foreign reserve coverage to 3.7 weeks of imports by 1995.

Conclusions

4.14 While dependent upon the future growth performance of the United States, the general outlook for the Bahamian economy appears good. The most difficult period is from 1985 to 1989, when large external amortization payments fall due. During this period, considerable recourse to the domestic credit markets by the Central Government will be needed, if public sector investment levels are to be maintained. Given the infrastructure requirements in the Family Islands and social sectors, this is desirable. The most preferred policy action, however, would be to refinance the short term external obligations that would allow for a more prolonged and progressive external amortization schedule^{9/}. In this case, debt service obligations would remain modest throughout the next decade and beyond, and disruptions to the local credit market would be minimized. Whatever occurs, the country is creditworthy for future external borrowing, particularly so after 1989, if the present amortization schedule is adhered to.

4.15 There are a number of vulnerabilities, however, that require careful policy monitoring. The openness of the economy, and the high import content of tourism and overall GDP, demand that a regular watch is maintained on import levels. This will require timely trade data being made available, which has not been the case since 1977, to ensure that prompt action may be undertaken to forestall excessive foreign reserve depletion. A variety of policy options are available, one of the most important of which is interest rate policy. It will be crucially important to allow domestic interest rates to respond flexibly to internal liquidity fluctuations. In the absence of direct income taxation, this will be a crucial factor in curbing aggregate demand, and hence curbing import demand. With regard to fiscal management, it will be important to prepare contingency plans should the planned improvements in property tax and import duty collections be below expectations. This may require a broadening of the tax base. Finally, continued attention must be directed toward Bahamasair and the Broadcasting Corporation to further improve operating performance, and a mechanism introduced to allow for more careful scrutiny of public corporation capital expenditure plans.

^{9/} As noted earlier, this action has already been taken by the Government in early 1986.

THE BAHAMAS

THE TOURISM SECTOR

I. INTRODUCTION

1. Tourism is the predominant factor in the economy of The Bahamas. Although the development of the tourist trade has been cyclical, the secular trend has shown steady growth in the last 25 years. The most recent downturn was in the early 1980s when demand was inhibited by economic recession in the country's major tourism markets, particularly the United States, which accounts for 86% of all tourist traffic. Recovery got under way in 1983, was consolidated in 1984 and early indications are that 1985 will be a boom year.

2. Much of the resurgence in traffic has been in cruise visitors which account for only 5.2% of total visitor expenditures. While arrivals of stopover visitors, the economically most significant traffic segment (92.3% of visitors' expenditures) have also reached record levels, the volume of the tourist trade, as measured by the number of visitor nights, only regained the 1980 level by 1984. The growing importance of short-stay, three or four-day vacations requires a relatively greater expansion in visitor arrivals in order to achieve the same volume of visitor nights. Furthermore, tourist expenditures have risen modestly in real terms (allowing for inflation), both because average prices have scarcely kept up with inflation and because most of the traffic growth has come from lower-spending socioeconomic groups attracted by bargain package prices.

3. The challenge for the next few years is to balance traffic growth against financial yield in order to optimize profitability. The opportunities of the current period of commercial success are to reinvest in renovation and expansion while accumulating adequate reserves to buttress the tourism sector against any future downturn occasioned by economic conditions in the United States.

4. There is also an opportunity to make difficult choices concerning regional policies. While Nassau and Paradise Island (New Providence) are the most developed tourist destinations in the islands - and their very success creates the possibilities for further expansion - the marginal costs of such expansion become increasingly expensive because of the pressure on infrastructure, such as water supply, and escalating investment costs. Freeport (Grand Bahama) has gone through a number of difficult years of adverse market perception and the reopening of several previously closed hotels will require new marketing efforts. Finally, the tourist trade in the Family Islands has been relatively stagnant, with both demand and supply remaining virtually unchanged over a number of years. Both the Government and the private sector need to consider carefully policies and programs to ensure a balanced growth throughout the islands.

II. TRAFFIC TRENDS

5. Visitor arrivals in The Bahamas in 1984 were at a record level of 2,325,250 (see Table 1). Based on reports for the first five months, 1985 visitor traffic is expected to be even higher. However, whereas cruise visits increased steadily in the 1980s, rising from 578,000 in 1980 to 908,000 in 1984, an increase of 57%, stopover traffic declined in 1981, and thereafter showed a slow recovery so that the 1,310,000 stopover arrivals in 1984 (see Table 1) represented only a 11.7% increase over stopover arrivals four years previously.

Table 1: Bahamas - Visitor Arrivals, 1980-1984
('000)

<u>Year</u>	<u>Stopover</u>	<u>Cruise</u>	<u>One-Day and Other Transit</u>	<u>Total</u>
1980	1,181.3	577.6	145.7	1,904.6
1981	1,030.6	596.9	135.8	1,763.3
1982	1,101.1	719.6	127.0	1,947.7
1983	1,240.0	854.0	130.1	2,224.1
1984 ^{a/}	1,310.0	908.0	107.2	2,325.2

a/ Preliminary

6. Cruise visitors come ashore for a few hours when their ship is in port while stopover visitors stay for a number of days. The average length of stay of stopover visitors has been declining steadily throughout the 1980s, from 7.14 nights in 1980 to 6.46 nights in 1984 (see Table 2). Thus, the total number of stopover nights, a better measure of the tourist trade volume, scarcely changed between 1980 and 1984, at 8.43 million and 8.46 million in the two respective years (see Table 2).

**Table 2: Bahamas - Stopover Arrivals, Length of Stay and
and Volume of Nights, 1980-1984**

<u>Year</u>	<u>Arrivals</u>		<u>Average Length of Stay (in nights)</u>	<u>Nights</u>	
	<u>No. ('000)</u>	<u>% Change</u>		<u>No. ('000)</u>	<u>% Change</u>
1980	1,181.3	4.6	7.14	8,434.5	6.5
1981	1,030.6	(12.7)	7.25	7,471.9	(11.4)
1982	1,101.1	6.8	6.80	7,487.5	0.2
1983	1,240.0	12.6	6.57	8,146.8	8.8
1984	1,310.0	5.6	6.46	8,462.6	3.9

7. While total stopover traffic to the Bahamas has remained relatively stable since 1980, there has been a substantial increase in arrivals at New Providence (Nassau and Paradise Island), from 583,000 in 1980 to 759,000 in 1984, an increase of 30.2 (see Table 3). This has been achieved primarily by a rapid growth in three night/four day package vacations so that the average length of stay in New Providence was reduced from 6.7 nights in 1980 to 5.7 nights in 1984. Thus, the volume of stopover nights increased proportionately less than arrivals, from 3.85 million in 1980 to 4.36 million in 1984, a growth of 13.2% (see Table 4). The New Providence share of total stopover traffic has risen to 57.9% in 1984, as compared with 49.4% in 1980.

Table 3: Bahamas - Stopover Arrivals by Place of Stay, 1980-1984
('000)

Year	New Providence	Grand Bahama	Family Islands	Total
1980	582.9	382.0	216.4	1,181.3
1981	507.5	328.3	194.9	1,030.6
1982	542.9	351.7	206.5	1,101.1
1983	676.7	347.0	216.0	1,240.0
1984	759.0	326.0	225.0	1,310.0

Table 4: Bahamas - Stopover Visitor Nights by Place of Stay 1980-1984
(million)

Year	New Providence	Grand Bahama	Family Islands	Total
1980	3.85	2.61	1.97	8.44
1981	3.35	2.29	1.83	7.47
1982	3.37	2.13	1.98	7.49
1983	3.96	2.07	2.11	8.14
1984	4.36	1.94	2.16	8.46

8. Stopover traffic to Grand Bahama (Freeport) has, on the contrary, declined since 1980 (see Tables 3 and 4). Arrivals in 1984 amounted to 326,000, down from 382,000 in 1980, a decline of 14.7%. Because the average length of stay also declined markedly, the volume of stopover nights decreased even more, by 25.7%. The share of Grand Bahama in total traffic thus went down from 32.3% in 1980 to 24.9% in 1984.

9. Traffic to the Family Islands has remained comparatively steady, amounting to 225,000 in 1984 compared with 216,000 in 1980 (see Table 3). The islands' share in total arrivals has also been relatively steady, 18.3% in 1980 and 17.2% in 1984. Because the average length of stay is highest in the islands - 9.6 nights in 1984 - their share in the total volume of visitor-nights is also higher at 25.5% in 1984 (see Table 4).

10. During the 1980s, the distribution pattern of the sources of The Bahamas' stopover traffic has changed markedly. Although always heavily dependent on the US market, this dependency has become even greater since the high exchange value of the US dollar (and therefore the Bahamas dollar which is fixed at par) increased vacation costs denominated in the home currencies of Canada, Europe and elsewhere. Thus, whereas in 1980 the US provided 74.8% of stopover visitors, by 1984 the share had gone up to 86.7% (see Table 5). Over the same period, Canada's share went down from 11.0% to 6.5%, Europe's from 9.7% to 2.9% and other countries' from 4.5% to 3.9%. In absolute numbers, stopover arrivals from the US went up from 884,000 in 1980 to 1,135,000 in 1984, an increase of 28.5% (see Table 6). Arrivals from Canada went down from 130,000 to 85,000 during the same period, a decline of 34.6%. Traffic from Europe declined proportionately more, going down from 115,000 to 38,000, a drop of 65%. Arrivals from all other countries remained roughly constant at just over 50,000.

Table 5: Percentage Share of Stopover Arrivals,
By Country of Residence, 1980-1984

Year	US	Canada	Europe	Other	Total
1980	74.8	11.0	9.7	4.5	100.0
1981	76.8	10.6	7.5	5.0	100.0
1982	82.7	7.5	5.2	4.5	100.0
1983	84.8	7.0	3.6	4.7	100.0
1984	86.7	6.5	2.9	3.9	100.0

Table 6: Bahamas - Stopover Arrivals
by Country of Residence, 1980-1984
('000)

Year	US	Canada	Europe	Other	Total
1980	884	130	115	52	1,181
1981	792	109	77	52	1,030
1982	911	83	57	50	1,101
1983	1,051	87	45	57	1,240
1984	1,136	85	38	51	1,310

11. The loss of non-US traffic is one of the factors in the overall decline in the average length of stay because visitors from other countries consistently tend to stay longer in The Bahamas than those from the US (see Table 7). For example, while the average length of stay of visitors from the US was 5.71 nights in 1984, those from Canada stayed an average of 9.73 nights while those from Europe stayed 12.56 nights. Furthermore, the average stay of Europeans has lengthened since 1980 when it was 10.67 nights. With the total numbers of European visitors sharply reduced, those who still visit are apparently those with a deep-rooted attachment to the country and also those who stay in villas and other non-hotel accommodations.

Table 7: Bahamas - Average Length of Stay
by Country of Residence, 1980-1984
(in nights)

Year	US	Canada	Europe	Other	Total
1980	6.25	9.35	10.67	8.97	7.14
1981	6.34	9.76	11.78	9.22	7.25
1982	6.02	10.27	12.28	8.83	6.80
1983	5.86	10.19	13.39	8.70	6.37
1984	5.71	9.73	12.56	8.18	6.36

12. A very welcome development in the Bahamas tourist trade has been the moderation in seasonality which has long been the bane of most "sun destinations". While there is an arrival peak in March and another in July, with 10.1% and 9.5% of annual arrivals, most of the remainder of the traffic is fairly evenly spread over the other months of the year, except for September and October when there is a sharp drop (see Table 8). Arrivals of stopover visitors peak in March and April and trough in September and October. On the other hand, cruise traffic is somewhat more evenly spread over the year with a peak in July and August and the decline in September and October less severe than for stopover traffic. Thus, a countervailing effect between the two types of traffic is to some extent evident.

Table 8: Bahamas - Visitor Arrivals by Month

Month	All Arrivals	Stopover Visitors	Cruise Passengers
January	7.5	7.5	7.2
February	8.5	9.3	7.0
March	10.1	11.6	8.0
April	9.4	10.2	8.6
May	9.0	9.0	9.3
June	8.5	8.3	9.3
July	9.5	9.3	10.3
August	9.0	8.9	9.9
September	5.8	5.5	6.1
October	6.7	6.0	7.5
November	7.8	7.6	8.5
December	8.2	8.5	8.3
TOTAL	100.0	100.0	100.0

III. HOTEL CAPACITY, OCCUPANCY AND PROFITABILITY

13. There were 13,449 available hotel^{1/} rooms in The Bahamas at the end of 1984, more than ever before (see Table 9). The 2,000 room increase in hotel capacity has all taken place on New Providence where the number of rooms went from 5,333 in 1980 to 7,214 in 1984. In contrast, the number of available rooms on Grand Bahama has gone down from a high of 4,168 in 1981 to 3,855 in 1984. Hotel capacity on the Family Islands has remained steady at about 2,300 rooms.

Table 9: Bahamas - Available Hotel Rooms ^{a/}, 1980-1984

Year	New Providence	Grand Bahama	Family Islands	Total
1980	5,333	3,880	2,276	11,489
1981	5,433	4,168	2,302	11,903
1982	6,212	4,001	2,193	12,406
1983	7,107	3,855	2,271	13,233
1984	7,214	3,855	2,380	13,449

^{a/} End of year. Includes all types of commercial accommodations (e.g hotels, guesthouses, cottages, etc.)

^{1/} Includes all types of commercial accommodations (e.g., hotels, guesthouses, cottages, condominiums, etc.). Ministry of Tourism statistics do not quantify the various categories separately.

14. The major addition on New Providence was the 700-room Cable Beach Hotel which opened in late 1983. Apart from some new smaller establishments, a new 500-room hotel is planned with construction starting in September 1985, and completion scheduled for 1987. On Grand Bahama, the refurbished and reconstructed 280-room Lucayan Beach Hotel was expected to be reopened as soon as operational management arrangements could be made, while improvements to the 120-room Lucayan Bay Hotel were expected to be completed before the end of 1985. Also, the nearby 60-room marina hotel, closed pending new management arrangements, was expected to reopen during 1985. Finally, the 180-room Xanadu Princess Hotel is expected to reopen during the year under new ownership and management. Thus, a total of 640 additional hotel rooms on Grand Bahama should become available during 1985. Virtually no change in hotel capacity on the Family Islands is expected.

15. The average room occupancy rate in 1984 (see Table 10) for all the Bahamas was 61.6%, down from 69.1% in 1980: even though the volume of occupied roomnights was virtually the same, the supply of rooms was 17.1% greater. On New Providence, where both demand and supply increased, the latter temporarily outstripped the former so that the occupancy rate in 1984 was 66.8% as compared to 75.4% in 1980. The advent of the Cable Beach Hotel, representing an additional 250,686 available roomnights was a major factor in average room occupancy declining by 4.1 percentage points as compared with the previous year. On the basis of results for the first five months of 1985, and forward reservations thereafter, the volume of the hotel trade for the whole year is projected by the Ministry of Tourism to increase by 5-10%. With no substantial increase in capacity, the occupancy rate should once more approach the 1980 level.

Table 10: Bahamas - Average Room Occupancy Rates, 1980-1984
(in %)

Year	New Providence	Grand Bahama	Family Islands	Total
1980	75.4	67.2	49.2	69.1
1981	64.8	58.0	44.9	59.8
1982	60.8	58.8	45.1	58.2
1983	71.9	54.9	42.8	63.3
1984	66.8	58.6	43.3	61.6

16. Occupancy rates on Grand Bahama have been consistently below those on New Providence, falling from 67.2% in 1980 to 58.0% in 1981 when supply increased but demand did not. Occupancy rates went down further in the next two years, even though hotel capacity was reduced. With an increase in traffic in 1984, the occupancy rate improved to 58.6%, still 8.6 percentage points below 1980. Even though traffic is projected to increase in 1985, the added supply of available rooms (see paragraph 14)

would probably inhibit improvement in average occupancy.

17. Average occupancy of rates in the Family Islands have consistently been lower than elsewhere in The Bahamas. Always below 50%, the occupancy rate in 1984 was 43.3%. Travel to the Family Islands is highly seasonal, thereby reducing the maximum possible occupancy rate. Furthermore, most of the hotels are relatively small and managed on a personal basis and therefore have weaker marketing capabilities and less effective reservations systems than the larger establishments on New Providence or Grand Bahama.

18. About one-third of stopover visitors to The Bahamas do not stay in hotels or other registered accommodations (see Table 11). They presumably stay with friends or relatives or in individually owned villas, cottages and apartments not commercially registered. Very little data on this segment of traffic is available.

Table 11: Bahamas - Stopover Nights by Type of Accommodation, 1980-1984

Year	Hotel Nights		Non-Hotel Nights		All Stopover Nights	
	No. (million)	%	No. (million)	%	No. (million)	&
1980	5.39	63.9	3.05	36.1	8.44	100.0
1981	5.05	67.6	2.42	32.4	7.47	100.0
1982	4.92	65.7	2.57	34.3	7.49	100.0
1983	5.39	66.2	2.75	33.8	8.14	100.0
1984	5.58	65.9	2.88	34.1	8.46	100.0

19. While average room rates increased from \$68.81 in 1983 to \$74.14 in 1984, the hotel industry on an aggregative basis is still not very profitable in The Bahamas. Income before fixed charges^{2/} was only 7.3% of revenues as compared with a worldwide average of 26.0%^{3/}. Such an income would not normally be expected to cover fixed charges, let alone yield a rate of return on capital employed or on equity investment. Of course, individual hotels within the aggregate had much better results, particularly the older ones with little or no debt service burden.

^{2/} Income before deducting depreciation, rent and debt service, as defined in the US Uniform System of Accounts for Hotels. This was previously designated "gross operating profit."

^{3/} According to Pannell Kerr Forster, an internationally recognized hotel accounting firm.

20. Given the strong demand evidenced in the early months of 1985, average room rates are expected to be increased by about 10% for the 1985/86 winter season. This could lead to enhanced profitability but only if operating expenses are contained. Administrative and general expenses in 1984 accounted for 17.7% of revenues compared with a worldwide average of 8.5%. These high costs reflect managerial inefficiency and the high salaries of expatriate supervisory staff. Property operation and maintenance cost 14.2% of revenues compared with the worldwide average of 5.7%. Water supply is particularly expensive on New Providence, where a shortage of local natural sources entails the costly shipment of water by tankers from neighboring Andros Island. Additionally, energy costs were 10.5% of revenues compared with 4.5% worldwide. Finally, payroll and related costs amounted to 38.8% in The Bahamas as compared with 28.9% worldwide. There are about 1.2 employees per room in the Bahamas as compared with 0.8 worldwide. Furthermore, average wages (excluding tips), are comparable with those in the industrialized countries and much higher than wages in many developing countries.

IV. HOTEL CORPORATION OF THE BAHAMAS

21. While most hotels in The Bahamas are privately owned and operated, the Government-owned Hotel Corporation of The Bahamas (HCB) owns four major hotels in the Cable Beach area of New Providence, comprising 1,192 rooms, and three hotels in the Lucayan area of Freeport (Grand Bahama) comprising 418 rooms. HCB also owns other tourist facilities such as a golf course and a marina and is vested with the Government's interests in casinos.

22. HCB was established in 1974 when the Government acquired three existing hotels on Cable Beach which were on the brink of closure after heavy financial losses over several years capped by the adverse effects of the 1973 oil shock. The Government's view was that the hotels could not be permitted to close since this would seriously impair The Bahamas' image as a tourist destination and would result in a heavy loss of employment. The acquisition of these hotels cost \$20 million which the Government designated its equity in HCB. In 1976, HCB acquired the three hotels in Freeport. With a general improvement in the tourism outlook, HCB undertook the construction of the 700-room Cable Beach Hotel, Convention Center and Casino which opened in October 1983.

23. After a variety of operational arrangements (including a period of direct management by HCB), all the hotels at Cable Beach are now managed by international hotel management companies. The three original hotels are leased on various formulas related to operating results but with minimum guaranteed lease payments irrespective of results. The Cable Beach Hotel is operated on a management contract under which the operator receives fees related to operating results with the remainder of the net income (if any) accruing to HCB but without any guarantee as to its amount. The Lucayan Beach Hotel was closed since its acquisition in 1976 while major renovations (and the construction of an attached casino) were undertaken. This has now opened, with the Government in a joint venture partnership with a foreign investor. The two other hotels at Lucaya were closed for

renovations in early 1985 but were expected to be available for operation before the end of the year.

24. The investment program of HCB over the last few years has amounted to \$153.6 million. This has been financed primarily by a \$150 million international loan raised by the Government. The loan has a five-year maturity and carries an interest of 1-1/8% above the LIBOR rate. The Government is servicing the debt since HCB does not have the financial capacity to meet their obligation. There is an informal understanding that HCB will make a contribution to debt service but, with an income before depreciation of \$10.2 million in 1983, of \$22.0 million (unaudited) in 1984, and of \$23.7 million (forecast) in 1985, such a contribution could clearly only finance a portion of the five annual payments on the \$150 million outstanding. Either the Government will have to contribute the difference as further equity, or the loan will have to be refinanced.

25. It is planned that HCB will continue its role of promotion of investment in the tourism industry of The Bahamas. HCB has recently entered into an agreement to lease for 50 years 7 acres of land presently occupied by the Emerald Beach Hotel to the company currently operating the adjacent casino. The company will construct and operate a 500-room hotel and expand the casino at an estimated cost of \$52 million. The land will be rented to the company by HCB for \$120,000 a year with an escalation of \$25,000 a year every five years. Also, the Corporation is planning new resort developments in the Family Islands.

V. CASINOS

26. The HCB also owns all casino rights in The Bahamas. HCB constructed and owns the Cable Beach Casino, acquired El Casino at Freeport in 1983 for a nominal sum and leases the Paradise Island casino. These three casinos are operated by professional companies on behalf of HCB. The new casino at Lucayan Beach is an investment of HCB but no operational arrangement for it had been made as of May 1985.

27. The operators pay HCB a base guaranteed fee plus a percentage of gross win above a certain threshold. Total casino fees received by HCB amounted to \$12.6 million in 1983, to \$18.1 million in 1984 (unaudited) and are forecast at \$17.9 million in 1985 (when a slight downward fee arrangement for one of the casino operators comes into effect). From this amount must be deducted about \$0.5 million each year for HCB's lease payment for one casino.

28. In addition to HCB's receipts, the public sector benefits from the proceeds of the Gaming Tax. Apart from an annual license fee of \$200,000, each casino pays 25% of the first \$10.0 million of gross win, 20% the excess over \$10.00 million up to \$16.0 million, 10% of the excess over \$16.0 million up to \$20.0 million, and 5% of the gross win above \$20.0 million. The proceeds of the Gaming Tax were \$15.3 million in 1984.

29. The staff of the three casinos currently in operation totals 1,808 persons of whom 1,092 are Bahamian and 716 are expatriate. Until 1981 the law forbade the employment of Bahamian citizens on the floors of the casinos. Thus, all dealers and croupiers, pit bosses, floor supervisors, etc. have been expatriate. Bahamians are employed in the cashier's cage, servicing slot machines, acting as cocktail waiters and waitresses and providing security services. In accordance with the Government's Bahamianization policies, the Gaming Board is now training and licensing Bahamian floor staff and expects that 30% of dealers will be Bahamian by the end of 1985.

VI. BAHAMASAIR

30. Bahamasair, the country's flag carrier, serves a dual function of tapping the US market and linking the numerous islands within the country. The Bahamas has adopted an "open skies" civil aviation policy so that airline deregulation in the US resulted in a substantial increase in the number of airlines serving the various routes between the US and The Bahamas. While competitive pressure on Bahamasair has consequently increased, the augmented seat availability into the Bahamas has resulted in lower airfares, particularly by bulk purchase by tour operators, a major factor in recent traffic growth.

31. Despite competition, Bahamasair retained a 27.4% market share of the North American scheduled routes in 1984. Nine other scheduled airlines served those routes while 22.0% of the traffic was carried on charters. Bahamasair is the only scheduled carrier on the interisland routes but faces competition from a number of air taxi services.

32. The fleet of Bahamasair consists of four 120-seat Boeing-737-200As, four 48-seat HS 748s and three 6-seat Aerocommanders. As of May 1985, no new aircraft acquisitions or other capital expenditures were envisaged. Long-term debt of \$13.1 million was being serviced by the Government. Operating revenues rose from \$40.8 million in 1983 to \$47.1 million in 1984. The net operating loss decreased from \$5.2 million in 1983 to \$2.1 million in 1984. The Government also finances the airline's operating losses.

33. The airline's operating performance is projected to improve in 1985. The load (seat) factor for the first quarter was 61% as compared with 55% in 1984. The international routes showed an improvement from 53% to 62% while the load factor on the domestic interisland routes was steady at 59% during both periods. There is a possibility that Bahamasair will not incur an operating loss for 1985.

34. With improved efficiency, Bahamasair could achieve small operating surpluses in subsequent years. But such surpluses are unlikely to cover long-term debt servicing. To this extent, the Government will continue to subsidize Bahamasair. The justification for this support is that domestic services are essential administrative, social and political infrastructures while the international services are an "insurance" against the withdrawal of foreign carriers' services during an economic downturn as happened during the 1970s.

VII. THE MINISTRY OF TOURISM

35. The Ministry of Tourism is one of the most effective in the world. While it carries out all the usual functions of a Ministry of Tourism - product development, maintenance of standards, internal awareness campaigns and so forth - its great strength is its marketing capability. In 1984, of a total Ministry budget of \$24.9 million, \$13.5 million were spent on advertising, public relations and other marketing programs. This represents a ratio of only \$5.87 for each tourist arrival, a lower ratio than for other major tourist destinations in the Caribbean^{4/}. In addition, the Ministry maintains a sophisticated computerized statistical program aimed almost entirely at developing market intelligence and tactical guidance. The Ministry operates tourist offices in nine major US cities, three in Canada and three in Europe. The total staff, at home and abroad, numbers 320.

36. Tourist market promotion in The Bahamas is a healthy cooperative effort between the public and private sectors. Tourist promotion boards, one each for Nassau and Paradise Island, Grand Bahama and the Family Islands, promote the private tourism interests of each area. They maintain their own overseas offices and engage in market development focused on their own destination. Their activities are financed by the allocation of half the 6% room tax which is levied on all hotel nights.

VIII. TOURIST RECEIPTS

37. Receipts from visitors, excluding international fare payments, amounted to \$818.3 million in 1984 (see Table 12) and is thought to represent nearly 70% of GNP. Receipts from stopover visitors, at \$755.6 million, constituted 92.3% of all visitor receipts. These receipts have grown at an average annual rate of 8.8% since 1980 so that, allowing for inflation, real growth has been relatively modest.

Table 12: Bahamas - Total Visitor Expenditures, 1980-1984
(in \$ Million)

Year	Stopover Visitors	Cruise Visitors	Other Day Visitors	Total
1980	538.9	31.8	7.0	577.6
1981	592.6	31.1	8.5	632.2
1982	606.3	39.2	8.9	654.4
1983	711.1	49.1	10.1	770.2
1984	755.6	54.3	8.4	818.3

^{4/} Jamaica spends \$22.7 per visitor and Puerto Rico \$13.42.

38. The stopover visitor traffic is also the most lucrative portion of the market, both in daily and per visit terms. In 1984, average daily expenditures by stopovers was \$89.29, as compared with \$59.80 by cruise passengers (see Table 13), while average expenditures per stopover visit was \$576.81 (see Table 14). A worrying feature of the latter figure is that it virtually is the same as that for 1981 (\$575.00) and therefore represents a decline in real terms. This decline has been brought about by the reduction in average length of stay with the growing popularity of the short three/four vacations. The trend underlines the urgent need to stimulate arrivals to compensate for their shorter stay. Also, the rate of growth in average daily expenditures by stopovers has slowed in recent years and has in fact declined in real terms which reflects the heavy discounting of hotel rates which has, on the other hand, induced traffic growth.

Table 13: Bahamas - Average Daily Expenditures, 1980-1984
(in \$)

Year	Stopover Visitors	Cruise Visitors	Other Day Visitors
1980	63.89	55.05	48.04
1981	79.31	52.10	62.59
1982	80.97	54.47	70.08
1983	87.29	57.49	77.63
1984	89.29	59.80	78.35

Table 14: Bahamas - Average Stopover Expenditure Per Visit
1980-1984

Year	Daily Expenditures (\$)	Average Length of Stay (in nights)	Expenditures Per Visit (\$)
1980	63.89	7.14	456.17
1981	79.31	7.25	575.00
1982	80.97	6.80	550.60
1983	87.29	6.57	573.49
1984	89.29	6.46	576.81

39. Cruise visitors' average expenditures during their hours ashore have remained remarkably constant throughout the 1980s at \$55-59 per

visitor, implying a decline in real terms. However, the steady increase in total passenger visits has resulted in a 70.7% increase in cruise receipts, from \$31.8 million in 1980 to \$54.3 million in 1984 (see Table 12). While this latter figure represents only 6.6% of total receipts, the rate of return on the cruise trade is undoubtedly higher than on the stopover trade because the investment and operating costs of providing for the cruise trade are relatively low.

IX. EMPLOYMENT

40. Total employment generated by the tourist sector is estimated at close to 40,000, or over 50% of total employment in the country. More than 16,000 persons work in hotels and about 13,000 work indirectly providing tourists with other goods and services (such as local transport, restaurants, entertainment, sports activities, handicrafts, casinos, etc.). In addition, more than 10,000 persons are employed providing goods and services to the tourist trade. Additional employment is partially generated in the economy by the demands of those directly and indirectly employed in the tourist trade.

X. OUTLOOK

41. The outlook for the tourist sector in 1985 is highly favorable. Arrivals of stopover tourists in the first quarter were 12.9% higher than during the same period of the previous year while the number of cruise visitors rose by 31.4%. The average hotel room occupancy rate on New Providence was 83.0% compared with 77.5% the previous year. Some of the more successful hotels registered occupancy rates in excess of 90%.

42. If these trends continue for the remainder of the year, arrivals of stopover tourists will total 1.4-1.5 million while cruise visitors could total more than one million. Total receipts from all visitors could amount to well over \$900 million, markedly in excess of the Ministry of Tourism target, set at the beginning of the year, of \$885 million.

43. The traffic outlook after 1985 will depend heavily on economic conditions in the United States, the main factor in determining demand. On the supply side, no substantial additional hotel capacity on New Providence is expected to be in operation before 1987 so that supply constraints could limit traffic growth to Nassau and Paradise Island, particularly during peak months of 1986. Hotel capacity on Grand Bahama (Freeport) is expected to be augmented by the opening of the Lucayan Beach complex and the Xanadu hotel during 1985 or 1986 and, in any event, the lower occupancy rates of existing hotels would permit further market development. There is also considerable unutilized capacity in the Family Islands. Thus, longer term growth will depend on removing supply constraints on New Providence and improving capacity utilization elsewhere.

THE COMMONWEALTH OF THE BAHAMAS AS AN OFFSHORE FINANCIAL CENTER

I. INTRODUCTION AND HISTORICAL PERSPECTIVE

1. The first foreign bank to operate in Nassau was the Royal Bank of Canada, which opened a domestic branch in 1908. Shortly thereafter, this branch acquired the assets of a locally owned bank that had failed. The Royal Bank of Canada was the only bank doing public business in The Bahamas until 1947. Trust company business began in 1936 with the establishment of Bahamas General Trust Company (again owned by Canadian interests). It was not, however, until the 1950s and 1960s that a steady stream of banks, trust companies, finance companies and investment firms began to open for business in The Bahamas. A variety of external factors accounted for this. Following World War II, the continuation of stringent exchange and investment controls and high rates of taxation in the major industrialized countries, the introduction of certain domestic monetary measures in some industrialized countries (especially the United States and the United Kingdom), and the surplus of US dollars accumulated in Europe after the War, all contributed to the desire to fund centers where banking, trust, and investment business could be done without the impediment of strict government controls and where taxation could be avoided to the maximum possible degree. The Bahamas appeared ideally suited to this role: it enjoyed a tax haven status, liberal provisions for registration and licensing of companies, bank secrecy enshrined in law, absence of exchange controls on transactions between nonresidents, a reasonable infrastructure, a geographic location in the same time zone as New York, a pleasant climate, and political stability.

2. The emergence of The Bahamas as a vibrant offshore financial center owes much to various policy measures taken by the US authorities to restrict exports of capital in the face of a persistent US balance of payments deficit. Two measures deserve special mention. The interest equalization tax of 1963 made it unattractive for US residents to invest in non-US securities and thus inhibited the US banks from developing a non-US portfolio. Regulation Q made it unattractive for non-US residents to buy US domestic dollar bonds, and thus inhibited US banks from borrowing on the US domestic money market. US banks were thus forced to do business through their foreign branches on the newly emerging Euro-currency market. The larger banks established branches in London and other European centers for this purpose; but the smaller banks found the establishment of branches in The Bahamas and other offshore financial centers to be a more economic proposition. By 1965, more than 600 firms were operating in The Bahamas as banks or trust companies. Some were of highly questionable character. The banks among these institutions were registered and governed under the Banks Act of 1909, which was inadequate to the task of regulating bank business since it did not call for the licensing of banks and made minimal provisions for supervision. There were no provisions for the licensing and supervision of trust companies. By 1965, it was apparent to the Bahamian authorities that adequate legislation was necessary in order to prevent an early failure of The Bahamas as a financial center. New legislation was

passed in the form of the Banks and Trust Companies Regulation Act. This act provided, among other things, for the licensing and supervision of banks and trust companies and for the revocation of licenses in appropriate circumstances.

3. Following the enactment, a large number of companies were stricken from the records, and, by 1967, the number of financial institutions was reduced to 90. There was further steady growth until 1974, when the new Central Bank of The Bahamas was formed under the Central Bank of Bahamas Act. The Central Bank, which took over the inspection function from the Permanent Secretary in the Ministry of Finance, intensified efforts to weed out undesirable institutions; and as a result the number of licensed banks and trust companies fell back from 191 in 1973 to 168 in 1976. Since that time, there has been consistent growth in the number of licensed institutions. By the end of 1984, 363 banks and trust companies were licensed to operate in The Bahamas, of which 263 were licensed to do business with the public. Table 1 shows the historical development in the numbers of public banks, trust companies, and bank and trust companies from 1967 to the present date.

Table 1: Public Bank and Trust Licenses in The Bahamas

(as of December 31, 1984)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Bank and Trust	32	36	33	34	35	38	45	40	37	40	43	47	54	62	72	79	85	90
Bank	43	47	81	118	134	138	134	124	122	118	126	133	137	143	152	158	162	160
Trust	15	10	12	12	13	14	12	10	9	10	9	10	10	10	13	13	14	13
TOTAL	90	93	126	164	182	190	191	174	168	168	178	190	201	215	237	250	261	263

II. POLITICAL AND LEGAL FRAMEWORK

A. Political Background

4. The stable political background that has characterized The Bahamas has been one of the major contributing factors to the emergence of the offshore financial sector. This parliamentary democracy has had its own elected legislature since 1729. By constitutional change in 1964, the United Kingdom gave the Government of The Bahamas power to manage its own

affairs except in the areas of external relations, defence, and internal security. The Bahamas achieved complete independence in 1973. During the period when The Bahamas was preparing for independence, fears of instability led to some loss of confidence, and it was as a direct result of this that some of the Bahamian business was transferred to other centers. The early development of the Cayman Islands as an offshore financial center owes much to the fears of political change in The Bahamas. These fears of instability have proven unfounded, and the present government is highly supportive of the development of the country as an offshore financial center. Furthermore, the main opposition party in the Parliament has espoused similar views on the need to further develop the sector in The Bahamas.

B. Legal Framework

5. English common law and legal procedures have set the pattern for the legal system of The Bahamas. This, in general, has been perceived as an advantage by most institutions, although this may have caused some difficulties for those institutions with parentage in civil law jurisdictions. Provisions for company registration and licensing, although more demanding than in the past, are still relatively liberal by comparison with those of some more industrialized jurisdictions. On the other hand, there are stringent laws on bank secrecy that the government appears committed to enforcing with vigor.

1. Registration and licensing

6. All banks and trust companies incorporated in The Bahamas are required to be registered with the Registrar General, under the provisions of the Companies Act of 1866 (as amended), and must file with the Registrar a Memorandum and Articles of Association and an annual return, as well as paying stamp tax on the issuance of shares and an annual franchise fee. However, the legislation that is particularly pertinent to the operation of offshore banking and trust companies is the Banks Act of 1909 and the Banks and Trust Companies Regulation Act of 1965 (as amended), under which banks and trust companies are licensed and supervised. Under these acts, no banking or trust business (with the exception of participation in a registered investment company scheme and management of a registered unit trust scheme as provided for by the Securities Act) may be carried on from The Bahamas without a license granted by the Minister of Finance.

7. Licensees are required to have a principal office and an agent and deputy agent in The Bahamas. The Minister has the power to control the issue of shares and certificates of deposit by institutions, the transfer of shares and rights of ownership of institutions, the use of the words "bank" and "trust" in the names of institutions and in their advertising, the use of similar or identical names by two or more institutions, and the soliciting of deposits. He also has the power to call for information. In practice, the Minister delegates most of the administrative work relating to his duties under these acts, as he is entitled to do under the acts, to the Central Bank, which prepares recommendations for the Minister's approval.

8. The legislation establishes the office of Inspector of Banks and vests the functions of the office in the Central Bank. It is the inspector's duty to maintain a general review of banking practice in The Bahamas, to examine the affairs of every licensee to ensure that it is operating within the law and is in a sound financial position, and to make recommendations to the Minister on applications for licenses. The Inspector is given power to require access to all documents of any licensee and to explanations from the manager of any licensee, with one important exception: he may not access details of the accounts of any individual customer of a licensee without the authorization of a judge of the Supreme Court. The legislation guarantees absolute secrecy with regard to the accounts and business of individual customers of licensees. All persons are forbidden to divulge information, acquired in the course of performing their duties, on the affairs of banks or trust companies or their customers except by order of a Bahamian court or as required under Bahamian law. Such provisions are enshrined in the Banks Act and the Banks and Trust Companies Regulations Act (referred to above), and also in the Central Bank of Bahamas Act of 1974.

9. The Bank Supervision Department of the Central Bank is charged with all investigations and administrative actions relating to applications for licenses to engage in banking and trust business in The Bahamas.

10. The Minister of Finance, upon the recommendation of the Central Bank, will designate an applicant company as a bank, a trust company, or a bank and trust company, and will issue one of three broad types of license to the applicant company:

a. A public license will be issued to a bank or trust company that is to be permitted to carry on banking or trust business with members of the public;

b. a restricted license will be issued to a bank or trust company that is to be permitted to carry on business with certain specified persons usually named in the license; and

c. a non-active license will be issued to a company that wishes to keep the word "bank" or "trust" in its name even though it is not carrying on banking or trust business. This type of license will also be issued to a company that is in voluntary liquidation.

11. Concomitantly, the Exchange Control Department of the Central Bank will designate the company as resident or nonresident:

a. a resident bank or trust company is one that can deal only in Bahamian dollars (although it may deal in foreign currencies with the authorization of exchange control). A trust company with this designation may, additionally, deal in foreign currency securities on behalf of nonresident customers; and

b. a nonresident bank or trust company is one that can operate only in foreign currencies (although it may hold a Bahamian dollar account, with exchange control approval, to pay local expenses).

Further, more extensive, exchange control designations are made available to a limited number of companies:

c. an authorized dealer is a bank that has exchange control authorization to deal in gold and all foreign currencies. For this purpose, it may maintain accounts in such currencies within officially prescribed limits and approve certain customer applications under delegated authority; and

d. an authorized agent is a bank or trust company that has exchange control authorization to deal in Bahamian and foreign currency securities and to hold such securities in safe custody for customers within officially prescribed limits.

ii. Supervision

12. The main goal underlying the Central Bank's supervisory functions is to preserve the longer term resiliency of The Bahamas as a financial center by fostering sound and healthy banking practices. The supervisory approach is modeled somewhat after that employed by the Bank of England, and over the past ten years, the Central Bank has been progressively upgrading its supervisory system. The Central Bank's power is vested in the Banks and Trust Companies Regulations Act of 1965. Few specific powers are given to the Central Bank under the act, but the act contains "omnibus" clauses that the Central Bank has attempted to exploit to the fullest. There are, apparently, possibilities that new legislation will be introduced to give the Central Bank more specific powers; but, in the meantime, the Central Bank continues to operate under the general powers vested in it by the act. Legislation is also being drafted to enable the Central Bank to operate an effective supervision over management companies. Currently, such companies are not subject to supervision by the Central Bank or any other body, although a certain degree of control may be exercised by the Central Bank since such companies require exchange control authorizations that may be denied.

13. The Central Bank carries out generally only offsite inspections of banks and trust companies. Such inspections are a regular feature of supervision in The Bahamas. Far less frequently, when it is considered by the Central Bank that an onsite inspection is required, a firm of auditors is appointed and paid by the Central Bank to carry out this function.

14. The nature and depth of supervision is determined by whether an institution is incorporated in The Bahamas or whether it is a domiciled branch of a foreign owned institution. The Central Bank accepts a large measure of responsibility for the financial condition of locally incorporated institutions and places the supervisory emphasis on such institutions.

15. In the case of locally incorporated institutions, once a year the Central Bank undertakes a comprehensive appraisal of the financial conditions of each institution. The Central Bank also requires the provision of expanded data in individual cases; the nature of this

requirement is determined for each institution separately after examination of the basic balance sheet and income statement.

16. As an adjunct to the appraisal system, the Central Bank has set up a scheme of regular prudential discussions with institutions, especially in cases where adverse features are identified from the detailed appraisal of the basic data. Such discussions attempt to establish a close relationship between the Central Bank and the institutions' principals. Discussions focus on institutions' policies and plans, their procedures and systems (particularly those relating to internal controls and risk management), the patterns of ownership, corporate styles, degree of management autonomy, and managerial competence. Institutions are taking these discussions more seriously than in the past, and it is common for representatives of the foreign parent companies of subsidiaries to come to The Bahamas to participate in them, whereas previously such discussions were generally entrusted to the local managers of the subsidiaries.

17. The supervision of branches of foreign institutions is, by comparison, relatively superficial. The policy of the Central Bank is to rely largely on the supervision of the authorities of the countries where the branches have their head offices. This has become an increasingly viable option as supervisory authorities around the world have moved steadily towards a consolidated approach to supervision. The Central Bank does, however, inspect the consolidated balance sheets of all foreign institutions with branches in The Bahamas. Generally only the managements of Bahamian registered subsidiaries are invited into the Central Bank for discussions on their financial positions but, occasionally, when the situation appears to warrant it, managements of branches of foreign banks participate in such discussions. Where there is doubt about the ability of the head offices to support the activities of branches, the Central Bank asks for letters of comfort.

18. With regard to trust companies, most of the managed assets are off balance sheet. In view of the need for utmost secrecy in the matter of trust companies' business, it has not been the Central Bank's practice to ask for details of trust companies' trust accounts and supervision has focused on investigating the adequacy of trust companies' internal systems and procedures, on ensuring that trust companies are operating under the law and are not engaging in activities that are forbidden under the terms of their particular licenses. The Central Bank may, in the future, propose to require trust companies to divulge to the Central Bank the size of assets under administration. It is uncertain with what degree of resistance such a proposal may meet. Institutions that are also authorized dealers are supervised, in addition, by the Exchange Control Department of the Central Bank, and close cooperation exists between the Bank Supervision Department and the Exchange Control Department. The Central Bank does not have direct control over the supervision of management companies in The Bahamas. However, in order to operate, management companies need foreign exchange accounts, which have to be authorized by the Exchange Control Department. Before authorizing such accounts, the Exchange Control Department checks with the Bank Supervision Departments, which carries out

its own investigation of the affairs of companies. Only when the Bank Supervision Department is satisfied with the conduct of companies' business are foreign exchange accounts authorized.

iii. Controls

19. a. Prudential Ratios

Bahamian based subsidiaries holding unrestricted licenses are required to maintain a minimum capital of US\$1 million or 3% of total assets, whichever is higher. In fact, most subsidiaries (and, for that matter, branches on a consolidated basis) maintain a higher ratio than this. However, where immediate imposition of this requirement would constitute a hardship, institutions are given a period of time in which to comply, but are never exempted from the requirement (currently, nearly 30 banks have arrangements with the Central Bank to increase their capital over a period). The required ratio is expected to be increased in stages in the future. Institutions may not lend more than 50% of their own funds, or 10% of total advances, whichever is lower, to a single borrower. They are also discouraged from advancing an amount of more than the equivalent of 10-15% of total advances to a single economic sector. Institutions dealing in foreign exchange are not allowed to have total uncovered positions in all currencies in excess of 10% of capital and reserves.

20. b. Country Risk

The Central Bank monitors the country exposure of institutions. Where exposure is considered to be excessive, the Central Bank recommends either specific or basket provisions (see below). Thus, the Central Bank does receive a detailed geographic breakdown of the assets and liabilities of many institutions. This has recently become more formalized as The Bahamas has become a participant in the IMF's international banking statistics project. As returns for the purpose of this project become more complex, it is hoped that they will also serve a prudential purpose.

21. c. Provisions

Advances and loans are generally treated as performing if interest is being collected. This is particularly the case where a country borrower has stopped making capital repayments but is under a formal rescheduling agreement reached in consultation with banks and the IMF. Nevertheless, institutions are encouraged to make "basket" provisions, the size of which is determined by reference to the provisions made by "peer" banks in similar circumstances and to the recommendations of the supervisory authorities of institutions' parent countries. Where interest is not being collected, and the size of losses can be identified and known, institutions are required to make specific provisions.

22. d. Issue of Bonds and Certificates of Deposit

All issues of bonds and certificates of deposit in the Euro-currency market require the prior approval of the Central Bank.

23. e. Off-balance Sheet Accounts

The Central Bank is paying careful attention to the recent trend towards off-balance sheet business and is asking banks to provide data on their contingent accounts as well as on their on-balance sheet accounts. Where the level of contingent guarantees carried by an institution is considered to be excessive, the institution's parent or head office is being asked to provide a letter of comfort. The Central Bank may consider the imposition of a 20% upper limit on the ratio of the sum of guarantees and unsecured loans to the total loan portfolio.

24. f. Exchange Control Restrictions

Institutions classified as nonresident are generally not permitted to deal with Bahamian residents. Such institutions are permitted one Bahamian dollar account for local expenditure, and all transactions on the account have to be approved by the Central Bank's Exchange Control Department.

25. g. Significant Customers

The Central Bank requires information on the ten largest depositors and borrowers of each institution; in view of the secrecy provisions of the law, this information is frequently provided to the Central Bank without the true identities of the customers. The Central Bank assesses, to the best of its ability, whether the composition of such customers constitutes a risk to the institution.

26. h. Ownership and Names

The Central Bank regulates the controlling interest of institutions. No transfers of shares of institutions are permitted without the Central Bank's express approval. The Central Bank also regulates changes of names of institutions. In particular, frequent and misleading changes of names are not permitted, and institutions are not permitted to bear names that might imply connections with other institutions with which they have no connections.

27. i. Management of Booking Operations

In the past, institutions that maintained only booking operations, rather than substantial physical presences in The Bahamas, were permitted to be managed locally by attorneys and other agents of doubtful financial ability. Recently, the Central Bank has taken measures to ensure that all booking operations are managed by reputable trust companies that are well organized and staffed with financially able people. Under the current policies, no institution may be managed by a nonbank or nontrust company. Those that are currently so managed are being required to place their affairs in the hands of trust companies. Each institution is, under the law, required to have at least an agent.

iv. Domestic Economy Insulation

28. To ensure effective administration of domestic monetary policy, the authorities seek to segregate the offshore sector from domestic banking business. The prime method of achieving this is through exchange control regulations. A nonresident company may operate only in foreign currencies, although a Bahamian dollar account to pay local expenses is allowed, subject to Central Bank approval. Thus, in a situation of tightness in the local money market, offshore banks are precluded from employing their funds profitably in the local market. Similarly, in circumstances of excess liquidity, local financial institutions cannot deposit funds with the offshore banks, since the latter are not permitted to hold Bahamian dollars except to cover local expenses, and official approval must be given for the necessary conversion from foreign currency to Bahamian dollars. Banks and trust companies that operate exclusively offshore are free of monetary controls; in particular, there are no minimum reserve requirements on deposits and no exchange control impediments to operating freely in the international market. It is thus argued by the authorities that the market is left free to determine the structure of deposit and lending rates and that movements in those rates give the authorities an indication of the appropriate level of domestic interest rates to encourage deposit mobilization and keep the costs of financing viable projects at a reasonable level.

29. A number of banks operate in both the domestic and the offshore markets. In almost all cases, the banks' operations in the offshore market far outstrip their domestic operations. Whereas purely offshore banks enjoy a relative freedom from burdensome reporting requirements, a more sophisticated reporting system has been designed for banks operating both in the offshore market and domestically. The system seeks to divide the banks' balance sheets between their domestic and their offshore business. This enables the Central Bank to monitor the domestic money supply and credit. Banks in this category are permitted to borrow foreign currencies without limit for onlending to nonresidents, but require exchange control approval to make loans to residents. Any lending to residents, whether private or public entities, is covered by this restriction, except lending to Central Government, for which a special act is required (for example, lending by offshore banks, and indeed by all nonresident financial institutions, to the Central Government for the Cable Beach Hotel was authorized by a separate act). In addition, an exchange control limit is applied to the long or short open positions in foreign currencies that resident banks may hold. The open position against Bahamian dollars may not exceed B\$500,000, and banks are obliged to sell currencies to, or buy them from, the Central Bank in order to maintain this limit. The limit is applied to ensure that banks provide cover for their Bahamian dollar liabilities with adequate amounts of Bahamian dollar assets, to prevent speculation in Bahamian dollars, and to ensure that Bahamian dollar deposits are utilized for investment in Bahamian dollar assets, including loans and advances.

III. ECONOMIC SCOPE AND CONTRIBUTIONS

A. Scope of Activities

30. The offshore banking sector in The Bahamas offers the full range of banking and trust activities, which reflects the relative freedom from legal administrative restrictions. There are, however, subtle differences in the modus operandi of individual banks, that reflect the different banking regulations pertaining in the respective bank's country of origin.

31. US banks in The Bahamas tend, organizationally, to divide their banking business from their trust business. The banking business is transacted by branches of the parent bank established in The Bahamas for that purpose, whereas the trust business is done by locally incorporated subsidiaries. This arrangement is said to meet the requirements of the banks' clients, clients with deposits to place prefer to place them with a branch of the parent bank, since the resources of the parent bank stand clearly behind such deposits; clients seeking a trust or management relationship with a bank, on the other hand, prefer the anonymity and secrecy that a fully incorporated local subsidiary, with its more distant relationship with the parent institution, provides.

32. The major function of the US banks appears to be to act as booking offices for loans arranged by the banks' head offices. The focus is on the assets side of the balance sheet, and the funding of such loans is of secondary consideration. One US bank, for example, acts as the booking office for a large proportion of its parent's lending to Central and South America. Such loans are rarely negotiated, nor the contracts drawn up, by the offshore branches of US banks. However, the detailed accounting of the loans, and the loan disbursements and collection of service payments, may or may not be handled in The Bahamas. Whatever the actual administrative arrangements, it is clear that the management of the loan portfolios occurs in head offices rather than at the level of the branches, and that branches in The Bahamas accept instructions from head offices in relation to the extension of loans. US banks in The Bahamas contend that the types of activities described above, rather than the acceptance of deposits representing the proceeds of criminal activities or with the object of evading US taxes, characterize their business. US residents depositing funds with US branches in The Bahamas are required to sign a waiver of secrecy that gives the banks the right to report on the depositors to the US authorities and are required to declare that they will report the placement of the deposits to the US authorities. Thus, the US banks argue, clients with illegally acquired deposits or with design to evade US tax would not deposit funds with a US branch in The Bahamas.

33. Certain advantages accrue to the US banks in making loans out of The Bahamas (or, indeed, out of any offshore banking center) rather than out of New York. Until several years ago, income accruing to a US branch in The Bahamas was subject only to federal tax in the United States, whereas income accruing directly to the head office in New York would be subject to Federal, state and city taxes. The savings from avoiding New York state and city taxes could be very substantial. This factor, among others, had led to large-scale diversion of lending operations by the US

banks away from New York and into the offshore banking centers. It was partly to attract lending activity back to New York that the international banking facilities (IBFs) were created in New York in 1981, with exemptions from New York state and city taxes. However, the failure of the IBFs, after some initial and short-lived success, to attract lending business on a large scale out of the offshore banking centers back to New York induced the local authorities, about two years ago, to re-appraise their stance towards the US banks with head offices in New York, and they began to subject, not only income from their head office direct operations, but also income generated through foreign branches that was "allocable" to head offices (that is, earned from operations managed by head offices), to state and city tax. Moreover, the tax was backdated to about 1976. The result is that, although there may be residual tax advantages to US banks in booking loans through The Bahamas and other offshore centers, the main advantage from doing so is no longer a tax advantage. Rather, the US branch, by funding its lending from the Euro-market, avoids the minimum reserve requirements that are imposed on deposits placed with banks in the United States and thus, effectively, lowers the cost of funding for the bank.

34. By contrast, the range of services offered by banks of other nationalities may be very much more tailored to the specific needs of their clients, and in particular, their depositors. Swiss banks in The Bahamas, for example, are generally locally incorporated (although a few branches exist), and have a substantial physical presence. Subsidiaries and branches alike enjoy considerably more local autonomy; it is in the Swiss banking tradition that local managers are entrusted with much decision-making authority. Swiss banks offer a wide range of services to clients, including current accounts in all major currencies, deposit accounts in Euro-currencies for terms of up to, say, six months, loans against collateral, and foreign exchange services. Some major Swiss franc bond issues have been arranged by local Swiss banks. In addition, they offer the full range of trust and investment services (see below), since their banking and trust business is rarely segregated. Thus, they generate a significant amount of funds and direct them to the interbank market. Canadian banks provide the major portion of domestic banking services, but also engage in offshore banking. Offshore activity includes, in addition to the more normal types of business, credit analysis, loan supervision, and foreign exchange dealings. Some Canadian institutions maintain large loan portfolios.

35. The ownership of trust companies in The Bahamas is diverse. Some are owned jointly by several foreign banks, though emphasizing their independence from the parent companies. Others are subsidiaries of individual major banks that benefit from the information-gathering network of the parents' branches and subsidiaries. Others still were created by private investors and lawyers and emphasize their independence from any banking organization. Most of the trust companies offer the traditional trust company services of acting as corporate trustee for various types of trusts (such as deeds of settlement, declarations of trust, and testamentary settlements) and performing the related fiduciary services. Under the provisions of English common law and the local Trustee Act of

1892, the trustee becomes the legal owner of the trust assets, which thus fall under Bahamian legal jurisdiction. Thus, the assets may avoid the reach of other countries' tax, exchange control, or disclosure laws under given conditions. An extension of this type of service is the formation and management of managed companies that may hold assets for similar purposes. The trust company may act as administrator of such managed companies, providing registered office facilities, directors, nominee shareholders, corporate meetings, minute book maintenance and all necessary legal formalities.

36. The range of services offered by many of the trust companies, however, goes far wider than these traditional trust company functions. It also includes other individual services, such as dealing in and custodianship of bonds and other securities and precious metals, executor services, and escrow accounts. In addition, a number of corporate services are provided, such as assistance in the formation of Bahamian and other corporations, provisions of registrar and transfer agent facilities for the securities of publicly owned international companies, investment and financial services, and invoicing facilities for trading companies, the running of pension funds for international companies, and the management of mutual funds and unit trust schemes. In the course of providing these services, trust companies have developed a major business in the discretionary management of portfolios. In the past, trust companies left investment policies and decisions to the discretion of individual investors and their financial advisors, while offering fiduciary and administrative services in connection with the management of portfolios. More recently, trust companies have been more willing to take responsibility for discretionary decisions on investments, particularly in deposits, certificates of deposit, and money market paper. One or two companies have proceeded much further and have established full securities trading rooms and a capacity to manage diversified portfolios on a discretionary or advisory basis.

B. Size of Operations

37. To estimate the current stock of external assets and liabilities of the offshore sector in The Bahamas is difficult for two reasons. First, only the commercial banks and the other local financial institutions make regular balance sheet returns to the Central Bank. This information can be supplemented from the data published by the US authorities on the external positions of US branches in The Bahamas and from the new reports, provided to the Central Bank by essentially all banks and trust companies in The Bahamas, on the geographic distribution of their external positions, as the Bahamian input into the IMF's international banking statistics (IBS) project. Second, a growing part of the external business of the banks and trust companies in The Bahamas is in the nature of trust and management business, where the assets and liabilities are effectively off-balance sheet. A rough estimate of the volume of external assets and liabilities on the balance sheets of the banks and trust companies in The Bahamas may be formed in the following way (data relate to end-1984). The IFS measure of external assets and liabilities of the commercial banks is US\$32 billion. Of this, US\$16 billion of assets and US\$15 billion of liabilities are related to positions with offshore banks in The Bahamas and should be

excluded. The IFS measure of external assets and liabilities of the other local financial institutions is US\$2 billion. Virtually none of this relates to positions with the offshore banks.

38. External assets and liabilities of the US branches in The Bahamas, according to US sources, amount to US\$94 billion and US\$95 billion respectively. This includes the external positions of two branches which have already been included in the external positions of commercial banks; but it excludes the external positions of 15 of the 17 US subsidiaries (subsidiaries are not included in the US data, but two subsidiaries have already been counted as other local financial institutions) and of 33 of the 93 US branches in The Bahamas (since coverage of the US data excludes small branches). Finally, from the new IFS returns, external assets and liabilities of non-US banks in The Bahamas amount to US\$63 billion and US\$60 billion respectively (exceptionally, these are mid-1984 figures). Much of this will already be captured in the balance sheet returns of the commercial banks and the other local financial institutions, and so one should include, as a rough approximation, only the excess of these figures over the external assets and liabilities of those two groups of banks. The final estimate, therefore, for the on-balance sheet external assets and liabilities of the banks and trust companies in The Bahamas is US\$159 billion of external assets and US\$157 billion of external liabilities. Of course, these balance sheet totals include not only assets and liabilities held physically or managed in The Bahamas, but also assets and liabilities booked through brass-plate banks and trust companies in The Bahamas and originating from parent companies or head offices overseas.

39. There are no hard data with which to form estimates of the amount of off-balance sheet external assets and liabilities. Estimates of assets physically held in trust or managed in The Bahamas, made by bankers in The Bahamas, vary between \$5 and \$15 billion, with most estimates falling in the \$7 to \$10 billion range. No estimates are available of off-balance sheet assets merely booked through The Bahamas. The importance of the off-balance sheet element is not its absolute size but the apparent conviction of bankers that, whereas the on-balance sheet business has been growing at a fairly slow pace for some time, the off-balance sheet business is expanding rapidly.

C. Contribution to the Domestic Economy

40. In order to assess the economic benefits that accrue from offshore banking activity, it is necessary to separate out the benefits that accrue from domestic banking, since a number of institutions are involved in both types of activity. Although the offshore business of the banks is vastly in excess of their domestic business, it is clear that such economic benefits as salaries and administrative costs of the institutions are not in direct proportion to the size of the books. Indeed, it is a common supposition that large amounts of funds can be channeled through the offshore market with a very small staff, whereas domestic retail banking is highly labor intensive and requires a well developed branch network. The benefits accrue to the economy in three ways. First, since offshore banks and trust companies have to convert foreign exchange into Bahamian dollars to pay their local expenses, there is an inflow of foreign exchange; however, to the extent that the expenditure is made in respect of domestic

42. The Central Bank has attempted to split the benefits of the banking and trust sector between domestic and offshore activity. Table 3 shows the benefits accruing from the offshore sector, which are smaller, although the rate of growth has been higher, on average, over the period. Only 30% of total employment in the banking and trust sector is attributed to offshore activity in 1983. However, this proportion was considerably smaller in earlier years, the annual average rate of growth in employment in the offshore sector being 13%. Within that, the annual increase in Bahamian employment was 14%, while employment of expatriates grew at 5.5%. Total expenditure of the offshore sector, at B\$44 billion, represented 38% of total expenditure of the banking and trust sector in 1983, compared with only 25% in 1973. As noted above, it is extremely difficult to separate the contribution of the offshore sector from that of the domestic banking sector with great precision and as such the precise breakdown should be viewed with caution, and the crudity of the Central Bank's estimates are evident in the data of average salary which, even allowing for the exceptionally rapid growth in Bahamian as opposed to non-Bahamian employment in the last two years of the period, appear highly volatile.

Table 3: Gross Economic Contribution of Offshore Banks and Trust Companies
(B\$ Million)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
A. Total Employment											
1) Bahamians	197	267	202	265	262	191	211	180	361	593	746
2) Non-Bahamians	75	70	62	79	70	62	67	91	72	97	127
Subtotal	<u>253</u>	<u>337</u>	<u>264</u>	<u>344</u>	<u>332</u>	<u>253</u>	<u>278</u>	<u>271</u>	<u>433</u>	<u>690</u>	<u>873</u>
B. Total Operational Costs											
1) Salaries	4.0	4.9	4.2	6.4	7.5	7.8	8.8	10.1	15.1	13.3	16.7
2) Government Fees	0.5	0.4	0.1	0.8	1.1	0.8	1.3	1.7	2.4	1.4	1.7
a) Licensing	0.3	0.3	0.1	0.3	0.4	0.3	0.5	0.8	0.8	0.9	1.0
b) Company Registration	0.1	-	-	0.2	0.1	0.2	0.6	0.6	1.3	0.1	0.2
c) Work Permits	0.1	0.1	-	0.3	0.6	0.3	0.3	0.3	0.3	0.4	0.5
3) Staff Training	-	-	-	-	-	-	-	-	-	-	0.4
4) Other Administrative Costs	2.7	1.7	4.9	5.0	7.4	6.8	9.5	12.3	16.6	17.4	22.5
Subtotal	<u>7.3</u>	<u>7.0</u>	<u>9.2</u>	<u>12.2</u>	<u>16.0</u>	<u>16.0</u>	<u>19.6</u>	<u>24.1</u>	<u>34.1</u>	<u>32.1</u>	<u>41.3</u>
C. Construction or Renovation Expenses	1.6	-	3.2	0.3	0.7	0.1	0.6	0.2	3.7	0.7	1.9
D. Total Expenditure (B + C)	<u>8.9</u>	<u>7.0</u>	<u>12.4</u>	<u>12.5</u>	<u>16.7</u>	<u>16.1</u>	<u>20.0</u>	<u>24.3</u>	<u>37.8</u>	<u>32.8</u>	<u>43.9</u>
E. Average Salary (B\$'000)	15,810	14,540	15,909	18,604	22,591	30,830	31,655	27,823	34,873	19,255	19,129

43. The Central Bank estimates that the costs of generating this extra income, employment and foreign exchange from the offshore sector have been relatively low for The Bahamas. The direct costs of developing a sophisticated telecommunications network have largely been offset by user fees; and in any case, the economy as a whole has benefited from this expenditure. The banks and trust companies themselves have undertaken much of the specialized training needed for employment in the sector, so that, rather than being a drain on the economy, such training has brought only benefits. The real cost of supervision of the sector is relatively low, given the relatively small resources that are devoted to supervision in the Central Bank. The Central Bank also considers that indirect costs related to the difficulty that might be created in exercising effective monetary control are minimized by the rigorous application of exchange controls to insulate the offshore sector, and that the question of indirect costs arising from tax evasion is not significant for The Bahamas since there is no direct tax.

IV. FUTURE ISSUES AND PROSPECTS

44. Both the authorities and the managements of the banks and trust companies consider that The Bahamas has a bright future as an offshore financial center. A variety of concerns, issues and future directions are discussed below.

A. International Banking Facilities (IBFs) and Competition from Other Centers

45. Work done by the Central Bank tends to suggest that The Bahamas has not suffered as much as might have been expected from the establishment of IBFs in New York. IBFs were first established in 1981 as separate accounting units in New York banks to deal exclusively with nonresidents. IBFs were to have been exempt from state and city taxes, reserve requirements, and interest rate ceilings. Thus, it was expected, the overseas branches of US banks would be attracted back to New York, reducing the demand for the services of centers such as The Bahamas. It was argued that US banks would benefit from increased efficiency and from reductions in overseas operational expenses. The initial impact of the formation of over 290 IBFs was certainly adverse to the volume of business in The Bahamas. Whereas the liabilities of US branches in The Bahamas and the Caymen Islands together had grown by over 20% in 1981, they fell by 3% in 1982. However, in 1983, the volume of this business grew by 4.5%, and evidence suggests that it has continued to grow since that time. A number of factors may explain the apparent inability of the IBFs to make a long-term impact on the volume of business in The Bahamas. First, The Bahamas has, as has already been discussed, stringent secrecy laws, and US branches are relatively free of reporting requirements to the authorities. IBFs, on the other hand, are subject to every aspect of the US legal and regulatory system. Second, IBFs are not permitted to issue certificates of deposit, and have minimum transaction size requirements and a compulsory two-day withdrawal notice, designed to prevent leakage between the domestic and international sectors. Third, the taxation advantages of the IBFs have largely been eroded as a result of their failure to attract sufficient

business back from the offshore centers. A further important point is that the IBFs are not permitted to transact with residents of the United States, whereas residents of the United States form an important segment of the clientele of banks in the offshore banking centers.

B. Bank Secrecy and the Exchange of Information

46. The Bahamas and other offshore financial centers have come under increasing pressure from the US authorities to improve the arrangements for providing information to the US authorities in cases of violation of US law. At certain times, administrative conflicts have occurred. For example, at one point managers of institutions operating in The Bahamas were being subpoenaed, on arrival in the United States, to supply evidence from the books of their Bahamian operations. To do so would have been a violation of Bahamian law. However, relationships between The Bahamas and the United States authorities have now improved to the point where such exchanges of information may be contemplated as part of a cooperative effort. The Bahamian authorities have made it clear that cooperation will be welcomed as long as a number of conditions are met. Principal among them are that a prima facie case should be established against an individual before the books are opened and that the supposed crime should be an offense in Bahamian law as well as in US law. The Bahamian authorities have, therefore, made it clear that evasion of US taxes will not be grounds for supplying information to the US authorities, although they are prepared to seek agreement in areas that involve funds accruing from violations that would be considered violations under Bahamian law, if they took place in The Bahamas.

47. A cardinal principle, advocated by the Governor of the Central Bank, is that "the appropriate focus for dealing with the possibility of illegal transactions through banks is not the removal of bank secrecy, which serves a legitimate and longstanding purpose, but rather the proper supervision of banking activity". Several of the supervisory measures that have been taken in the past year have been aimed at discouraging illegal transactions. In addition, the banks' and trust companies' Code of Conduct has specifically focused on some of these issues. Furthermore, "the problem is seen as an international one, and efforts to deal with it must likewise be international in scope, not isolating one or two centers for concentration, lest the possible criminal activity merely shifts to another location". It would appear that the efforts of The Bahamas to deal with these problems by means of improved supervision, and the need to deal with the problems on an international scale, have been more fully recognized by the US authorities in recent times. And, through a judicious approach to the question of bank secrecy, in which the need to cooperate has been balanced against the need to protect the confidentiality of the business of those who are not engaged in criminal activities, the authorities have avoided the development of a crisis on this issue.

C. Possible New Areas of Development

48. There are a number of other "offshore" activities that the Government is actively seeking to encourage. These include development of offshore insurance and reinsurance activities, encouraging the use of The Bahamas as a flag of convenience ship registry location and fostering further expansion in portfolio management, investment services and mutual funds.

BAHAMAS

TECHNICAL ASSISTANCE NEEDS

This annex reflects perceived technical assistance needs in The Bahamas. Despite rapid economic progress over the past decade, the country's relatively small population size, and hence specific skill shortages, and geographic dispersion, have imposed some strains on a public administration that is in a state of transition. As a result the need for certain types of technical assistance remains high. Material contained within this annex reflect UNDP participation in the World Bank economic mission of April 1985. This participation included Ms. Brenda McSweeney, Representative of UNDP for the Commonwealth of The Bahamas, Ms. Annette Ebanks, UNDP, Kingston and Mr. Mario Salzmann, UNDP, New York. The section has been prepared under the guidance of the Ministry of Foreign Affairs, Commonwealth of The Bahamas.

BAHAMAS

TECHNICAL ASSISTANCE NEEDS

Introduction: Development Factors Influencing Technical Assistance Needs

1. Priority technical assistance needs in the Commonwealth of The Bahamas are greatly influenced by the following underlying factors:

- dependence on tourism for foreign exchange and as the main source of employment;
- the need to diversify the base of economic activity and create other sources of employment and income;
- the need to make public sector investment more efficient;
- the scarcity of trained human resources to make public administration a more efficient instrument;
- the need to accelerate the development and integration of the Family Islands, thereby stemming the "urban drift" from these islands; and
- relative advantages in terms of political stability and proximity to the US market.

2. Set out below are approaches to utilizing technical assistance in overcoming development constraints in the major sectors. Priority technical assistance requirements are then enumerated. Section I contains priority project profiles, for which financing is sought, while Section II contains tables of ongoing and pipeline technical assistance.

3. Technical assistance has an important role to play in this planned diversification of the economy through the agro-industrial development of the Family Islands. Specific projects have been enunciated by the Ministry of Agriculture and Fisheries and The Bahamas Agricultural & Industrial Corporation (BAIC). Assistance should be geared specifically towards training Bahamians in the identification, monitoring and evaluation of agro-industrial projects with potential for employment generation and foreign exchange earnings realizable through reducing imports while providing commodities exportable to the US and other export markets.

4. Potential exists for such projects in fisheries, vegetable production and small livestock. The expertise required to give these projects "safe conduct" from identification to implementation is, however, lacking. The BAIC therefore places great emphasis on strengthening its research and development arm through training of its personnel.

5. Simultaneously, attention is being paid to exploitation of the potentials of the native handicraft industry. The captive market of more than two million tourists per year, is to a large extent untapped.

6. Expertise is needed to assist in identifying suitable and varied craft items which can be produced competitively and, very importantly, in refining the skills of the producers. It should be noted here that development of the craft industry translates into development aimed at benefiting women at the grass roots level -- an important consideration in light of current trends in development funding.

Agriculture

7. Since the early 1970s the Government has supported agriculture with a view to its taking on new and increased significance in strengthening the economy. The present three-fold policy as delineated by the department of Agriculture follows closely the concept supported by FAO/WFP member countries of a National Policy of Self-Sufficiency in Basic Foods. To this end The Bahamas aims at (1) growing locally all items which can be economically produced; (2) exporting those commodities which can be produced competitively; and (3) applying the earnings to the importation of those basic commodities which cannot be grown economically under local conditions. As a means of speeding up these processes the Government offers substantial incentives to farmers. A special campaign has been launched to encourage foreign investors to enter into large-scale joint ventures with the Government for the development of a viable export market in agricultural crops and aquaculture.

8. Another related area of current concentration is the development of food technology with regard to fruits and vegetables and, later, meat -- specifically pork products. A Food Technology Complex has just been completed with EEC assistance, representing an investment of \$600,000.

Agro-Industry

9. To further increase employment and forge the link between Agriculture and Industry, the development of small and large scale agro-industrial enterprises is encouraged in the Family Islands. Identified so far are beef cattle rearing, production of edible oils, production of fruits and vegetables for export, the processing of cascarilla bark, growing and processing the aloe vera plant and processing potatoes for use in fast foods and catering concerns. This last proposal stems from the need to find profitable use for the oversize potatoes grown on Long Island and which have no market in an unprocessed form.

10. The final technico-economic feasibility of all these proposals is yet to be established but activity is underway with regard to food technology and processing of cascarilla bark. Also, some 2,000 acres are now under fruit production for the export market. Assistance is envisaged for examining the viability of other proposals identified.

Housing and Construction

11. The Government places high priority on the need to provide housing, particularly for low-and middle-income groups. A major hindrance, however, to expediting the fulfillment of this need is the ever-increasing cost of construction. For example, the value of houses (excluding land) in the \$12,000 - \$24,000 cost range has moved from 25% in 1977 to 33% in 1983. Likewise in the \$24,000 to \$60,000 range the movement over the same period has been from 45% to 51%. Given this background, guidance in the development and use of indigenous materials and new technology for construction has been pointed out as being an area where technical assistance could prove useful. Major programs of this nature, assisted by UNDP/HABITAT, are currently underway in a number of Caribbean countries, e.g., Jamaica and Haiti. The need is significant in The Bahamas, as Government is at present faced with providing a total of 17,500 houses between 1980 and 1990, a considerable number being for low-income earners.

12. In connection with the construction trade, the Ministry of Housing has indicated that training (on-the-job and offshore) for plumbers, carpenters, masons, etc. could lead to considerable economies and could tie-in with a vocation training program designed for the mature tradesman. In light of the Government's commitment to a heavy outlay on Technical and Vocational Education over the next few years (funded partly by a World Bank loan), it is expected that training for job acquisition and job effectiveness will increase the volume and quality of the labor force available to the construction and other technical industries. UNDP/ILO/UNESCO have been heavily involved in assisting Governments with such skills training programs throughout the Caribbean.

Training

13. As in other developing countries, the need exists for training nationals to fill positions at middle and upper management level in both the private and public sectors. In fact, the 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.

14. Planning techniques, negotiating, budgeting, and project preparation are areas which need building and/or strengthening. The process should begin with the presentation of a public sector investment plan derived from, and closely linked to, a development plan. This could facilitate the earmarking of budgetary allocations within the framework of established priorities.

15. The need for training exists also in the department of Statistics, Ministry of Finance, where there is a lack of personnel trained in national accounts, statistics, sampling and surveying. Efficiency in the area of revenue collection can be achieved by putting in trained staff and by employing full-scale electronic data processing. It is conceivable that the Government's revenue-raising capacity can be considerably increased without introducing a single new tax if the existing structures (e.g. Valuation Office) are upgraded and modernized. The same is likely to apply to various taxes derived directly from tourism and import duties. The latter accounts for well over 50% of all Government revenue and should be examined in depth for ways of increasing its input to national revenue.

Trends in Technical Assistance

16. Indications are that technical assistance has its major thrust within the agriculture/fisheries sector of the economy. The greater portion of ongoing technical assistance, 63%, is committed to this sector with the IDB, UNDP and EEC being the major contributors. The focus remains in this sector, supported by requests for technical assistance in the development of agro-industry.

17. Finally, a special point should be made of the observation pertaining to the country's low participation in regional technical assistance projects. In most instances interest is expressed, but this does not result in active participation. It may be useful that this observation be further explored and analyzed. In this regard, limited but valuable contributions can be made from the technical and financial resources available from the Regular Budgets of the UN Specialized Agencies and their offices in the field.

18. Bearing in mind the technical assistance priorities of The Bahamas, much more can be done by the UN system to carry out important preliminary identification work and provide technical advice, thereby creating new opportunities for integrating UN system resources with national capital and recurrent expenditure commitments. This approach will also facilitate greater participation by The Bahamas in ongoing regional initiatives and projects, as well as permit linkages between similar national activities. These observations are particularly relevant with regard to the strengthening of the agro-industry sub-sector; improving the level of skills-acquisition for the output of both the primary and secondary system and the developing of activities in cultural heritage, restoration and preservation in order to develop and strengthen the indigenous handicraft sector thereby increasing the potential earnings from tourism.

SECTION I: PRIORITY TECHNICAL ASSISTANCE PROJECTS, 1985-1987

A. Agriculture and Fisheries

Technical Assistance Project Description - 1

Sector: Agriculture
Project Title:: Self-sufficiency in Basic Foods
Government Institution: Department of Agriculture, Ministry of
Economic Affairs

Background and Objectives:

Although large areas of available land are either uncultivated or under-cultivated, The Bahamas imports approximately 80% of the food requirements of the local and tourist populations. The Government is committed to reducing this volume of imports by expanding food production through the application of modern technology.

As a means of ensuring local food security, efforts are being concentrated on products which can be grown locally and economically for local consumption simultaneously with growing for export.

The northern islands of Andros, Grand Bahama and Abaco have been identified as most conducive to the development of large-scale export farming, having a total land area of approximately 228,000 acres. (Only about 17% of this is under cultivation at present.)

The southeastern islands will concentrate on key crops for local consumption (onions, potatoes, cassava, peas, corn, etc.) and livestock. Farmers are ensured a guaranteed price for their produce and further encouragement comes from the availability of low interest agricultural loans through The Bahamas Development Bank.

Production of pork has increased to the extent that none is now being imported. The Department plans to encourage pig farmers to expand their operations to processing so as to utilize all sections of the animal. At present only about 30% of the pork produced (chops and ribs) is absorbed by the market while a considerable amount of processed pork products is imported.

To establish self-sufficiency in animal feed, studies are to be done on the feasibility of local manufacture.

Technical Assistance Project Description - 1 (Cont'd.)

Technical Assistance Requirements:

- (a) To supplement the expertise in the Department of Agriculture in the demonstration of modern farming technology.
- (b) To advise on the setting up of pork processing plants on an individual or co-operative basis:
 - determine size, layout and cost of building for a small pork processing facility (ham, bacon, sausage) capable of handling fifty 200-250 pound carcasses per day;
 - prepare a list of equipment needed for the facility indicating costs and potential suppliers;
 - advise on the number and type of personnel needed to operate such a facility as well as any training programs required;
 - by projecting production and other costs, advise on the economic feasibility and profitability of such a project.
- (c) To advise on the manufacture of animal feed and related matters. The services of an Animal Nutritionist will be required (two years):
 - to monitor the maintenance of daily records of the offal processing and feed manufacturing installation and prepare regular (monthly) summaries of operating throughout and of expenditure and receipts;
 - to assess the feasibility of installing further offal processing plants on other sites within the country and provide detailed recommendations if these prove feasible;
 - to train counterpart staff during the program for takeover of the operation;
 - on the basis of the summaries, to review the offal processing and feed milling activities as appropriate and to make any recommendations which may improve technical efficiency and operating costs. To advise and assist in the implementation of these or other appropriate recommendations as agreed with the Ministry of Agriculture. Such procedures will include at least cost formulations of feeds;
 - to advise and assist in organizing the distribution of feed materials to farms, and provide an advisory input to the extension services of the Ministry of Agriculture in order to introduce and provide details of the feeds to farmers. This will include advice on any modifications to equipment necessary to use hydrolysate based pig feeds, and general advice on livestock feeds as required;
 - to maintain liaison with farmers utilizing the feeds produced in order to monitor performance over at least one year. The parameters will include animal performance (weight, gains and health), carcass quality, costs of hydrolysate and other feed

in relation to overall costs of pig production (i.e, estimates of gross margins), market responses. In order to accomplish this to identify a number of farms (not less than two) where detailed recording systems can be set up;

- to advise on the development of experimental facilities for pig and possibly poultry. These facilities will be used for a number of experimental programs to include:

- experiments to examine further the development of pig and possibly poultry feeds containing poultry offal hydrolysate in order to maximize its potential for contribution to the development of a local feed manufacturing industry.
- to investigate possibilities for utilization of any other locally available feed raw materials in conjunction with poultry offal hydrolysate.

Agriculture and Fisheries

Technical Assistance Project Description - 2

Sector: Agriculture

Project Title: Development of Food Technology Laboratory

Government Institution: Department of Agriculture, Ministry of Economic Affairs

Background and Objectives:

A Food Technology Laboratory has recently been established in New Providence. Staff have been identified but have not yet worked in the laboratory as a team. The services of a Food Technologist are needed to start up all aspects of the laboratory's operation and to train staff in their general routines.

Technical Assistance Requirements:

The services of a Food Technologist are needed to work closely with the Director of Agriculture and all other public and private bodies who may have cause to utilize the facilities to be offered by the laboratory. In addition to the general duties associated with establishing the laboratory as a working facility the officer will formulate a work plan, taking into consideration the functions of the laboratory within which he will operate covering activities calculated to:

- (a) assist in the setting up of standards for quality of both local and imported foodstuffs, particularly processed foods;
- (b) maintain analytical facilities to monitor such standards;
- (c) provide technical and analytical support to commercial food processing operations;
- (d) process crops in investigations for the determination of their commercial planting and processing viability;
- (e) conduct investigations into new products and develop new and improved techniques; and
- (f) help train national staff in the various aspects of food technology laboratory work and related technological skills, including organization, management and maintenance of laboratories, equipment, tools and apparatus.

Agriculture and Fisheries

Technical Assistance Project Description - 3

Sector: Agriculture

Project Title: Production of Frozen French Fries from
Locally Grown Irish Potatoes

Government Institution: North Andros Agricultural Co-operative
Society, L'd., San Andros

Background and Objectives:

The farmers on North Andros have been encouraged to grow Irish potatoes in the Government's program for crop diversification. At present, good quality Irish potatoes are being produced. However, the market is limited for unprocessed potatoes as the hotel industry prefers imported, prepacked frozen french fries for convenience and cost effectiveness. To overcome the constraint of a limited market, the North Andros Agricultural Co-operative Society Limited envisages setting up the necessary machinery and equipment to produce frozen french fries.

Benefits:

- (a) Import substitution;
- (b) Increased farmer earnings;
- (c) Employment generation; and
- (d) Crop diversification.

Technical Assistance Requirements:

- (a) Acquisition of the necessary machinery and equipment; and
- (b) Training of local personnel in the technical aspects of production.

Agriculture and Fisheries

Technical Assistance Project Description - 4

Sector: Fisheries

Project Title: Development of Artisanal Fisheries -
Family Islands

Government Institution: Department of Fisheries, Ministry of
Economic Affairs

Background and Objectives:

One of the stated objectives of The Bahamas National Food Policy is "to use Agriculture and Fisheries development in the creation of employment opportunities". Consequently, it is the Government's intention to stimulate interest in the development of artisanal fishing in the Family Islands as one measure to halt the urban drift to New Providence. This is also seen as a means whereby, together with the establishment of "Fisheries" as a subject in the school curriculum, a degree of continuity in activity would be achieved. It has been noted that in some of the Family Islands, fishermen belong almost exclusively to the older generation and a carefully structured program is necessary to encourage younger people in this activity from which a considerable income can be earned. Stimulation is also to be provided through demonstration fishing aimed at showing the usefulness and profitability of this occupation.

Technical Assistance Requirements:

- (a) A short-term consultancy in the practicalities of artisanal fishing with emphasis on coastal fisheries; and
- (b) Assistance in formulating joint venture agreements.

Agriculture and Fisheries

Technical Assistance Project Description - 5

Sector: Fisheries

Project Title: Production and Marketing of Marine Resources in the Southeastern Islands

Government Institution: Department of Fisheries
Department of Co-operatives

Background and Objectives:

Fishing in the Southeastern Islands is hampered by inadequate equipment and marketing. To overcome this constraint the organization of local fishing co-operatives along the model of the South Andros Co-operative Society Limited is proposed. The co-operatives will maintain fish-holding facilities and small engine workshops. They will also conduct the marketing of their members' catch in Nassau/Freeport.

Benefits:

- (a) Better utilization of national resources;
- (b) Securing/creating employment; and
- (c) Increased income for fishermen.

The islands concerned are Acklins, Crooked Islands, Long Island, Mayaguana, Rum Cay and San Salvador.

Technical Assistance Requirements:

- (a) Assistance in the acquisition/maintenance of necessary equipment;
- (b) Assistance in marketing; and
- (c) Training of local staff.

B. Education and Employment

Technical Assistance Project Description - 6

Sector: Labor
Project Title: Youth Employment
Government Institution: Ministry of Labor, Youth, Sports and
Development

Background and Objectives:

The Ministry currently benefits from an OAS-sponsored program for the development of youth employment skills. Principal areas of focus are:

- (a) Development of the apprenticeship system through on-the-job training schemes;
- (b) Expanding the scope of activities of the Labor Statistics Unit to include compilation, analysis and publication of labor market information;
- (c) Developing training programs for youth self-employment; and
- (d) Strengthening the functions of the youth employment service within the context of existing and proposed youth employment programs.

A shortfall in the provisions of the OAS assistance has, however, been identified in the areas of training and equipment. These components are crucial to the development of employable skills if this assistance is to achieve the desired effect of reducing the high percentage of unemployment among young adults.

Technical Assistance Requirements:

To ensure greater coordination between the segments which relate to youth employment, it is necessary to amend the Apprenticeship Act with a view to bringing together the activities of the Youth Employment Officers, the concept and practice of the apprenticeship system and the realities of the labor market. Technical assistance is required for the formulation of these amendments. Training for the staff involved with youth employment is needed in labor market research.

C. Industry and Craft

Technical Assistance Project Description - 7

Sector: Industrial Development

Project Title: Training in Preparation/Appraisal of Investment Proposals: Agro-Industry

Government Institution: Bahamas Agricultural and Industrial Corporation (BAIC), Ministry of Economic Affairs

Background and Objectives:

The Bahamas Government is pursuing a policy of economic growth emphasizing expansion of all sectors, generation of employment and diversification of the economy, which at present is largely based on tourism. One of the key areas with potential for development is the entire agro-industry sector as well as light manufacturing. In the pursuit of this policy the Government wishes to attract foreign investment, for whom it has created a very favorable climate through the establishment of The Bahamas Agricultural and Industrial Corporation in 1981. The functions of the Corporation consist primarily of promoting investment opportunities in the country. The project would aim at building up the technical capacity of the BAIC in such areas as research, promotion, marketing, project preparation, project analysis and evaluation.

Technical Assistance Requirements:

One expert with considerable experience in project preparation, identification, analysis who, in the process of assisting the BAIC with these functions, would also train its staff in these areas. The person should preferably be an economist with considerable know-how and experience in the promotion of investment projects. Relevant agro-industrial expertise is desirable as well as knowledge of projects in the Caribbean area.

D. Economic Affairs

Technical Assistance Project Description - 8

Sector: Economic Affairs

Project Title: Development and Marketing of Local Handicrafts

Government Institutions: Department of Co-operative Development
Cultural Affairs Division, Ministry of Education

Background and Objectives:

Traditionally, indigenous handicrafts made from straw have been a cottage industry in the Family Islands. Although a substantial market exists for handicrafts and souvenir items due to the tourist industry, the demand for local products is diminishing as a result of the high volume of low-cost imports. Consequently, the limited economic activity on the Family Islands has been stifled. Attempts have been made to purchase and market local handicrafts through co-operatives. This program has to be considerably strengthened if it is to have an impact on the Family Island economies. The project would focus on:

- (a) promotion and marketing of local handicrafts;
- (b) product development; and
- (c) training.

The Islands concerned are: Long Island, Cat Island, Eleuthera, Exuma, Acklins, Crooked Island, Mayaguana and Andros.

Benefits:

- (a) Creation of economic activity on the Family Islands;
- (b) Revival of a traditional industry;
- (c) Employment generation;
- (d) Import substitution; and
- (e) Offering visitors Bahamian products as souvenirs.

Technical Assistance Requirements:

- (a) Expertise in developing a national plan for a handicraft sector;
- (b) Expertise in promotion and marketing of local products;
- (c) Expertise in product development and training.

Economic Affairs

Technical Assistance Project Description - 9

Sector: Economic Affairs

Project Title: Industrial Co-operative for Adolescent Mothers

International Organization: Voluntary Fund of the UN Decade for Women:
Co-financing from Another Donor

Government Institution: Department of Co-operative
Development/Industrial Co-operative for
Adolescent Mothers

Background and Objectives;

Adolescent mothers who "drop out" from the school system are a major social problem. The proposed project is designed to establish an industrial co-operative for the manufacture of uniforms and straw work. While the production stages of cutting and finishing are to be carried out by professionals at a central location, the intermediary phase of joining would be carried out by trained girls in their homes. The central plant would have a capacity for training 30 girls per year to work in their homes.

Capital Formation:

<u>Item</u>	<u>US\$</u>	<u>Source of Financing</u>
(a) Land & Buildings	30,000	The Bahamas Government and the Committee of Women for Development
(b) Machinery, equipment, furniture, fixtures and pickup truck	47,000)	Hope House Centre) The Voluntary Fund for the United Nations Decade for Women (VFDW))
(c) 2 experts for training	53,000)	Hope House Centre) The Voluntary Fund for the United Nations Decade for Women (VFDW))
(d) Working capital	100,000	Donor agency

Technical Assistance Project Description - 9 (cont'd.)

Benefits:

- (a) Creation of a self-supporting employment for adolescent mothers who "drop out" of the school system;
- (b) Opportunity for acquiring employable skills for self employment;
- (c) Alleviating a social problem and burden on dependent families;
and
- (d) Import substitution.

Technical Assistance Requirements:

- (a) Expertise in the areas of cutting, sewing and finishing to train national counterparts; and
- (b) Management training.

E. Housing

Technical Assistance Project Description - 10

Sector: Housing

Project Title: Alternative Low-Cost Housing

Government Institution: Ministry of Housing and National Insurance

Background and Objectives:

A recent study carried out by the Ministry of Housing points to a very serious shortage of adequate housing, particularly for the low income groups of the population. In part, the problem is compounded by the use of building technologies and imported materials which considerably raise the cost of construction. The Ministry believes that with the greater use of local construction materials, and more appropriate technologies in combination with a better trained labor force, construction costs could be lowered significantly.

Technical Assistance Requirements:

(a) Project: Alternative Low-Cost Housing

Assistance is required to:

- (1) Analyze recently constructed conventional systems and Government-initiated housing and prepare a cost analysis of all components;
- (2) Analyze areas in which cost savings can be achieved without reducing the square foot living area of the structure;
- (3) Identify alternative means of construction which can reduce costs and prepare a cost analysis of these means;
- (4) Conduct a market survey to determine the likely public acceptance of cost saving measures identified in Items (2) and (3) above. The market survey should be directed towards those persons targeted for the alternative, lower-cost housing;
- (5) On the basis of Items (2), (3) and (4) above, develop several house plans to illustrate the implications of the cost-saving measures;
- (6) Assist in the contracting and coordination for the construction of the housing designs developed in Item (5) above;

Technical Assistance Project Description - 10 (cont'd.)

- (7) Conduct an open house and market survey of the targeted population for the houses constructed and make recommendations for changes based on the survey results;
- (8) Staffing/Duration of Project: 14 man-months.

(b) Project: Upgrading Housing Construction Industry

Assistance is required to:

- (1) Analyze the construction industry to determine its strengths and weaknesses;
- (2) Analyze methods of construction conventionally utilized to determine areas in which costs savings and greater productivity can be achieved through better management, utilization of alternative construction techniques and procedures and identify areas in which skills improvement is required;
- (3) Conduct a series of training programs in New Providence, Grand Bahama and the Family Islands (Abaco, Andros, Eleuthera and Exuma) to achieve improvements in areas identified in Item (2) above;
- (4) Staffing/Duration of Project: 12 man-months

(c) Project: Use of Indigenous Materials for Housing Construction

Assistance is required to:

- (1) Analyze traditional and current house construction to determine types and uses of indigenous materials;
- (2) Analyze indigenous materials currently available and determine their suitability, including cost implications for housing construction;
- (3) Identify historically available indigenous materials to determine their present suitability, including cost implications, for housing construction and determine the economic feasibility of reintroducing these materials (such as wood);
- (4) Develop and cost house plans utilizing indigenous materials identified in Items (2) and (3) above and compare these with similar conventional houses currently being constructed;
- (5) Staffing/Duration of Project: 8 man-months.

Technical Assistance Project Description - 10 (cont'd.)

(d) Project: Upgrading of Housing Construction Labor Force

Assistance is required to:

- (1) Analyze conventional and systems house construction to determine the strengths and weaknesses of the skilled and semi-skilled labor force;
- (2) Analyze the present tradesman system and make recommendations for its improvement or restructuring;
- (3) Liaise with the relevant Government Ministries and Departments (including but not limited to Labor, Education and Building Control) to agree to new standards for various levels of tradesman designations;
- (4) Develop programs and evaluation systems to provide the necessary training (skilled and semi-skilled) to overcome weaknesses identified in Item (1) above and implement standards developed in Item (3) above;
- (5) Monitor the programs implemented under Item (4) above and make appropriate adjustment to same over a two year period;
- (6) Staffing/Duration of Project: 20 man-months.

(e) Project: Training of Housing Building Inspectors

Assistance is required to:

- (1) Develop standards of operation for building inspections in New Providence, Grand Bahama and the Family Islands;
- (2) Implement standards and conduct training programs for inspectors in New Providence, Grand Bahama and the most developed Family Islands (Abaco, Andros, Eleuthera and Exuma);
- (3) Two months after initial training program (Item (2) above), conduct follow-up programs in the same locales;
- (4) Staffing/Duration of Project: 8 man-months.

(f) Project: Emergency Conservation for Houses

Assistance is required to:

- (1) Analyze typical house construction including traditional housing forms to identify types of energy conservation means used and the extent of their current use in The Bahamas;
- (2) Explore the current state of the art in energy conservation of single detached and attached housing structures in climates similar to The Bahamas including active and passive systems;

Technical Assistance Project Description - 10 (cont'd.)

- (3) Complete a cost benefit analysis related to The Bahamas of energy conservation techniques identified in Item (2) above;
- (4) Develop house plans for adapted conventionally designed houses as well as specifically designed houses to reflect cost effective energy conservation techniques identified in Item (3) above;
- (5) Provide construction cost comparison for house plans developed in Item (4) above with conventional construction;
- (6) Staffing/Duration of Project: 8 man-months.

F. Statistics, Finance and Revenue

Technical Assistance Project Description - 11

Sector: Finance and Revenue
Project Title: Technical Assistance in Valuation
Government Institution: Valuation Section, Ministry of Finance

Background and Objectives:

The Government of The Bahamas is undertaking a program to increase its revenue and enhance the efficiency of its revenue raising infrastructure without the need to introduce any new taxes. An area where significant efficiencies can be achieved is in land and real estate taxation. One of the prerequisites for this is an updating and revision of the existing legislation (approved in 1969) as well as a strengthening and reorganization of the Valuation Office so that it can perform in a more efficient manner all functions related to assessment and valuation. At present this office is understaffed, has no modern electronic data processing facilities and is required to carry out accounting and billing functions. This means that not sufficient time and effort can be paid to assessment and valuation. It is believed that with proper legislation, staffing and equipment, the Valuation Office could easily double the revenue intake derived from land and real estate taxation.

Technical Assistance Requirements:

- (a) A legal expert to help revise the Property Act;
- (b) Valuation surveyors to reorganize the department; and
- (c) An expert in data collection, systems analyses and EDP.

SECTION II. DEVELOPMENT ASSISTANCE: ON-GOING AND PIPELINE PROJECTS

A. On-Going

Agriculture/Fisheries/Forestry

1. Title: Fisheries Development - Phase II (Project Related)
Executing Agency: FAO
Funding Agency: UNDP
Cost/Duration: \$390,172 1982-1985
Committed 1984: \$161,015
Description: Feasibility study regarding resources inside Bahamian waters, and potential for the development of fleet expansion. On the job training in technique of resources inventory (Inputs) experts and two 1-month fellowships in marketing.
2. Title: Assistance to Fisheries Development
Funding Agency: CFTC
Description: a) Assistance to Fisheries Development
b) Market development for whole frozen shallow scale fish (completed December 1984)
3. Title: Animal Feed Pilot Farm
Executing Agency: Ministry of Agriculture
Funding Agency: EEC
Cost/Duration: \$333,000 (Capital Grant)
Committed 1984: \$32,000
4. Title: Plant Propagation Unit: Fruit Crop Nursery
Executing Agency: Government - Ministry of Agriculture
Funding Agency: EEC
Cost/Duration: \$107,100 1984 -
Committed 1984: \$107,100
Description: Provision of a Nursery Manager
5. Title: Caribbean Network Co-operation Program (Regional)
Workshops (9 countries)
Executing/Funding Agency: FAO
Duration: On-going
Description: a) Legume Development (pigeon peas)
Activity: Research and Training
\$145,000 - 2 years
b) Agro Industrial Development (initial processing of agriculture) Products at the Farm and Community levels.
Activity: Workshops
\$125,000 - 1 year

Agriculture/Fisheries/Forestry (cont'd.)

- c) Small Scale Fishery
Activity: Workshops
\$125,000 - 1 year
 - d) Development of Biogas Technology and its
Application at Farmers' Level
\$85,000 - 1 year
6. Title: Assistance to Agricultural Development
Funding Agency: CFTC
Description: a) Study for establishing export and marketing operation for fruit and vegetables.
b) Export marketing and development study for cascarilla production.
7. Title: Food Technology Laboratory (Project Related)
Executing Agency: Government - Ministry of Agriculture
Funding Agency: EEC
Cost/Duration: \$139,000 1984
Committed 1984: \$139,000
Description: Staff training and advisory services
8. Title: Co-operative Development Phase I (Project Related)
Executing Agency: ILO
Funding Agency: UNDP
Cost: \$445,104
Committed 1984: \$82,200
Description: Development system for planning, supervision and management, as well as procedures for credit supply and marketing in farmers' and fishermen's co-operatives. Inputs: full-time expert and associate expert.
9. Title: International Co-operation for Technical Assistance and Professional Training for Agricultural Production in Tropical Latin America (Regional)
Executing Agency: CIAT
UNDP Contribution: US\$30,000
Duration: 4 months (preparatory assistance)
Description: The project is intended to focus on assisting national programs, primarily of research and complementarity of extension, and help strengthen its capabilities to test, adapt and spread to farmers new yield-increasing crop varieties and related technologies.

Agriculture/Fisheries/Forestry (cont'd.)

10. Title: Forestry Development
Executing Agency: Government
Funding Agency: IADB
Cost/Duration: \$600,000 1984
Committed 1984: \$600,000
Description: Inventory of forestry. Inputs: Advisory services and equipment.

Education, Health, Employment, Culture

11. Title: Caribbean Network of Educational Innovation for Development (CARNEID) - Regional (18 countries)
Executing/Funding Agency: UNESCO
Committed 1984: n/a
Cost: \$328,700
Duration: On-going 1981-1985
Description: A co-operative network for exchanging information on and introducing innovative programs within the region to assist regional governments to relate education to national development goals.

12. Title: On-going UNESCO Regular/Participation Program
Description: a) One month consultancy to assist the Government in preparing a National Policy for Culture.
b) One month consultancy to advise the Government on cultural heritage.
c) One month consultancy in special education - assistance in organizing workshops.
d) One 3-week and one 6-week consultancy in the field of energy.
e) One month consultancy in education broadcasting.

13. Title: Caribbean Fund for Technical Co-operation
Description: Fellowships and training (various)

14. Title: Development of Social Security System
Executing/Funding Agency: ILO
Cost/Duration: n/a - intermittently on-going
Description: The provision of fellowships

Education, Health, Employment, Culture (cont'd.)

15. Title: Training in Tourism/Hotel Management
Executing/Funding Agency: ILO
Cost/Duration: n/a - on-going
Description: Provision of fellowships and implementation of workshops
16. Title: Development of Health Services
Executing Agency: PAHO/WHO
Cost/Duration: US\$154,700 (Project Related) - On-going
Description: a) Health Information - US\$25,600
b) Management of Health Services - \$22,300
c) Oral Health - US\$41,000
d) Environmental Health - US\$46,600
e) Communicable Disease Control - \$31,200

Industry, Craft, Technology and Energy

17. Title: CFTC Assistance
Description: a) Technical Advisor to Government Printing Department
b) Feasibility study for manufacture of fruit juices
c) Feasibility study for solar water heaters
d) Feasibility study on soap manufacture
18. Title: Assessment of Agro-Industrial Activities and Potential
Executing/Funding Agency: UNIDO
Committed 1984: \$10,000
Cost/Duration: \$10,000 - 1 man-month
Description: Feasibility study to provide TA advisory services in the preparation and development of agro-industrial projects.
19. Title: Caribbean Regional Petroleum Exploration (Regional)
Executing Agency: World Bank
UNDP Contribution: US\$500,000
World Bank Contribution: US\$200,000

Industry, Craft, Technology, Energy (cont'd.)

19. (Cont'd.)

Duration: 2 years
Description: To help accelerate petroleum and gas exploration and identify promising new areas for such exploration. To help increase domestically produced energy, alleviating balance of payment problems and contribute to economic expansion. No activities in The Bahamas.

Housing/Public Works/Natural Resources

20. Title: Water Resources Assessment, Development and Management in Small Islands of the Caribbean (Regional)
Executing Agency: UNDTCD
UNDP Contribution: US\$318,660
Duration: 35 months
Description: Economically exploit and soundly manage water resources, increasing employment, food production and foreign exchange. Output to be in The Bahamas: Water chemistry, laboratory manual. However, hardly any activity in The Bahamas.

21. Title: Water Abstraction Transport and Supply (Project Related)
Executing Agency: UNDTCD
Funding Agency: UNDP
Cost/Duration: \$408,654 - 1983-1987
Committed 1984: \$68,543
Description: Provide adequate and suitable water supplies as well as to secure optimal development and use of water resources. Institutional strengthening. Inputs: advisory services, equipment and training.

Finance

22. Title: Assistance to Central Purchasing Unit
Executing Agency: Government - Ministry of Finance
Funding Agency: EEC
Cost/Duration: \$280,000 - 30 man-months
Committed 1984: None
Description: Staff training and institutional strengthening.

B. Pipeline (To Come On Stream 1985/1986)

Agriculture, Fisheries, Forestry

1. Title: Food Security
Executing Agency: FAO
Description: Exploratory work aimed at developing strategies for The Bahamas to develop the capacity for food self-sufficiency (1985).
2. Workshop/seminar to promote investment projects concerned with food production and processing, and related matters such as fertilizer, pesticide production, agricultural machinery and packaging - UNIDO (1988).
3. Title: Co-operative Development Phase II
Executing Agency: ILO
Funding Agency: UNDP
Cost/Duration: \$80,000 - 1985
Description: To combine the development of system for planning supervision and management in fishing co-operatives.
4. Title: Offals Plant
Executing Agency: Ministry of Agriculture
Funding Agency: EEC
Cost: n/a
Description: 900 tons per annum poultry offal protein.
5. Title: Sheep in Confinement
Executing/Funding Agency: FAO
Cost/Duration: \$64,000 - 1 year
Description: Sheep production and forage conservation.

Other Activities to Start in 1985/1986

6. Title: Study on Education
Cost: unknown
Agency: UNESCO
7. Title: Computerization of Ministry of Education Records
Cost: US\$40,000
Agency: OAS

8. Title: Science Laboratory Equipment - Secondary Schools
Cost: US\$27,000
Agency: OAS
9. Title: Distance Education
Cost: US\$50,000
Agency: OAS
10. Title: Youth Employment
Cost: US\$169,300
Agency: OAS
11. Title: Cultural Development in Family Islands
Cost: US\$20,000
Agency: OAS
12. Title: Ethnomusicology Workshop
Cost: US\$25,000
Agency: OAS
13. Title: Youth and Sports
Cost: \$18,000
Agency: OAS
14. Title: Proposal for Improving the National System of Labor Administration With Regard to Changes in the Legislative Framework within which Labor/Management Relations Take Place
Cost: unknown
Agency: ILO
15. Title: Rapid Presentation/Contraceptive Prevalence Study
Cost: US\$20,000
Agency: IPPF/UNFPA
Description: Computerized demographic projections/survey on contraceptive prevalence.
16. Title: Workshop in Family Life Education
Cost: US\$7,000
Agency: UNFPA
17. Title: Feasibility Study on Establishment of a Corn-Syrup Industry for Partial Replacement of Imported Sugar
Cost: unknown
Agency: UNIDO

18. Title: Participation in a Proposed Regional Packaging Institute
Cost: unknown
Agency: UNIDO
Description: Transformation of existing National Packaging Centre in Jamaica.
19. Title: Voluntary Fund for the United Nations Decade for Women
Cost: \$100,000
Agency: unknown
Description: Funds are earmarked for co-operative income-generating program for adolescent mothers.

C. Regional Projects (Pipeline*) - OAS

1. Title: Education Planning
2. Title: Elementary Education
3. Title: Educational Statistics
4. Title: Adult Education
5. Title: Teaching Materials
6. Title: School Libraries
7. Title: Administration
8. Title: Special Education and Vocational Rehabilitation
9. Title: Tourism Development
Cost: \$443,000
10. Title: Social Security
11. Title: Cultural Policies
Cost: \$84,000
12. Title: Cultural Training Centre
Cost: \$219,000
13. Title: Arts/Crafts
Cost: \$60,000
14. Title: Restoration/Microfilming Books, etc.
15. Title: Conservation/Restoration Historical Monuments
Cost: \$50,000
16. Title: Museum Development
Cost: \$60,000
17. Title: Small Enterprises and Co-operatives
18. Title: Technology Assistance
Cost: \$52,000
19. Title: Trade Development
Cost: \$450,0900
20. Title: Public Revenue

* Amounts shown for regional pipeline projects are for entire Caribbean. Some are not known. All amounts subject to change as formal approval is not yet granted.

D. Funds Committed: On-Going and Pipeline by Source of Funds*
(US\$ '000)

	Source of Financing								
	Multilateral								
	UNDP	IDB	EEC	FAO	UNFPA	UNIDO	ILO/VFDW	OAS	PAHO
<u>On-going (1984)</u>									
(by sector)									
Natural Resources	69	-	-	-	-	-	-	-	-
Agr., Forestry & Fisheries	325	600	246	-	-	-	-	-	-
Industry	-	-	-	-	-	10	-	-	-
Intn'l. Trade & Development	-	-	280	-	-	-	-	-	-
Population	-	-	-	-	-	-	-	-	321
Education	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<u>Pipeline (1985-86)</u>									
(by sector)									
Ag., Forestry & Development	80	-	-	64	-	-	-	-	-
Industry	-	-	-	-	-	-	100	25	-
Population	-	-	-	-	27	-	-	75	-
Culture	-	-	-	-	-	-	-	10	-
Gen. Development	-	-	-	-	-	-	-	169	-

* Excluding Regional Projects: Not possible to calculate the cost to The Bahamas

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STATISTICS IN THE BAHAMAS AND THE NATIONAL ACCOUNTING SYSTEM

Over the past six years, considerable difficulty has been experienced in the compilation of official statistics, and, in consequence, national accounts, balance of payments and other statistical data may be subject to considerable error. Official statistics on external trade have not been published from Customs Department source documents since 1977; there are not comprehensive and/or current statistics on unemployment/employment, wage rates and production, and the weights used in the construction of the Retail Price Index for New Providence refer to the period November-December 1971, with the result that the index may not accurately reflect actual price movements.

These difficulties are a manifestation of institutional and structural problems, which are not amenable to easy change or a short term solution. The Department of Statistics suffers from an acute shortage of trained personnel and equipment. There are no in-house computing facilities and use of central government data processing facilities have encountered a variety of technical problems. Furthermore, the socio-economic environment of The Bahamas has created difficulties. As there are no personal or corporate income taxes in the country, the Department of Statistics has no data on the incomes of businesses or individuals. Also, the response rates to various surveys has been very low due to suspicion and apprehension as to the reasons for information disclosure.

Rectification of these problems will require additional allocation of resources to the Department of Statistics that will allow for an increase in the quality and quantity of staff available and a campaign to heighten the private sector's cooperation and appreciation of the importance of production and other statistics.

In view of the above difficulties, outlined below are details on the compilation of specific components of national income, and possible sources of error.

Exports - The numbers shown reflect Central Bank estimates and are compiled by applying a multiplier of 2.22 to the non-oil exports of offshore companies, from which production data is received. Obviously, while this relationship may have been appropriate in 1980, it is not clear that it will be appropriate in 1984. It should be noted that the tourism expenditure component of the export revenue should be quite accurate, insofar as regular visitor arrival data is collected and periodic expenditure surveys undertaken by the Ministry of Tourism.

Imports - Non-oil import data is also drawn from Central Bank estimates based upon import duties collected by the Customs Department to which a multiplier of 3.75 is applied. This multiplier was derived from the ratio of customs duties to total non-oil imports for the period from the first quarter 1975 to the

fourth quarter 1977. While the Central Bank found this ratio to be stable over the stated base period, tariff rate changes since indicate that significant limitations may exist with this method of estimation. The Department of Statistics has been endeavoring to overcome the backlog of trade data from the Customs Department, starting with 1984 and moving back. However the stream is not yet complete, hence the Central Bank estimates were used to maintain consistency.

Public Investment - This item is drawn from the Accountant General and the financial statements of the public enterprises.

Private Sector Investment - This item is derived as a residual following the estimation of total investment. This latter item is calculated utilizing information on construction starts and completions and imports of machinery and transport equipment. A pro-rata system was allocated to each year's building starts to ascertain the actual completions.

Public Consumption - This item is derived from treasury accounts of Central Government current expenditure plus administrative expenses of the National Insurance Board, less interest payments, transfers, sales of goods and services and services of a commercial nature.

Private Consumption - This item may represent a source of estimation error. Imports are identified by end-use category, utilizing a sample period of January to March 1983, to ascertain the volume of consumer goods. This is further broken down by various consumer goods categories to which is applied an average duty margin and a trade and transport margin. This latter margin is drawn from surveys of retail establishments. To this are added estimates of consumption of locally produced goods, for each category. Estimates are made for the local consumption of services based on ad hoc surveys, the frequency of which is unknown. Finally, to avoid double counting of consumer expenditure by non-residents and spending by residents abroad, as shown in the balance of payments, these items are deducted from the final consumption figure. The mission was not able to verify the estimates for service consumption, a number of the categories appear high, particularly transportation and other miscellaneous services. Also, there may be some double counting of government consumption. Finally, the allocation of imported goods between consumer goods and others, based on a three-month January to March period, may be inappropriate insofar as there is likely to be a seasonal pattern to the composition.

The above discussion does not attempt to provide a complete survey of the national account methods employed and their specific accuracy. Rather, it is meant to inform the reader as to the general techniques employed and to likely estimation problems that should be borne in mind when assessing the national accounts. The Department of Statistics is aware of the difficulties, and it is clear that a thorough review of the complete system, by a national accounting expert, would be highly beneficial.

A final point on methodology concerns the construction of a constant series for the national accounts. This is not done in The Bahamas. The mission drew up a series based on a variety of indices which are discussed below:

Public and private consumption were deflated by an index composed of the World Bank oil price indices and the retail price index of New Providence;

Exports of goods and services were deflated by World Bank manufacturing unit value (MUV) indices. Constant tourism expenditure was arrived at utilizing total visitor numbers multiplied by average length of stay and average daily expenditure in 1977. Imports of goods and services was deflated by a composite index made up of the MUV index, the World Bank food commodity index, and the oil price index used above. Investment, both public and private, was deflated by a composite index made up of the U.S. producer price index and the U.S. construction material index. The final deflators are shown at the foot of Table 2.3.

Table 1.1: BAHAMAS - VITAL STATISTICS, 1973-83

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
	(in '000)										
Population	181.00	185.00	189.00	193.00	197.00	201.00	206.00	210.00	214.00	218.00	222.00
Number of live births	4.42	4.40	4.03	5.30	4.87	4.36	4.90	5.10	5.37	5.30	5.28
Number of deaths	1.18	1.19	1.11	0.98	1.07	1.08	1.21	1.34	1.15	1.19	1.10
Natural increase	3.24	3.22	2.93	4.32	3.80	3.29	3.68	3.76	4.22	4.11	4.18
	(% per 1000)										
Gross birth rate	24.41	23.79	21.34	27.44	24.73	21.70	23.76	24.28	25.08	24.31	23.78
Gross death rate	6.52	6.41	5.85	5.06	5.42	5.36	5.88	6.40	5.39	5.44	4.97
Rate of natural increase	17.90	17.38	15.49	22.38	19.31	16.34	17.88	17.88	19.70	18.87	18.81
Infant mortality rate	32.00	32.50	34.20	32.50	28.70	26.50	28.50	27.70	24.40	20.40	22.70

Source: Department of Statistics.

Table 1.2: BAHAMAS - EMPLOYMENT AND LABOR FORCE a/

	1973	1975	1977	1979
	(In thousands)			
Labor force	62.7	65.6	75.9	79.0
Employed	57.0	51.6	59.2	67.7
Agriculture, forestry, & fishing	1.3	0.7	1.0	1.3
Mining and quarrying	0.3	0.8	-	0.1
Manufacturing	4.1	1.1	3.1	4.7
Electricity, gas and water	1.7	1.8	1.9	1.1
Construction	3.6	1.4	1.3	4.9
Commerce, restaurants, & hotels	15.5	16.4	20.4	22.2
Transport, storage & communication	6.0	3.9	6.6	4.7
Finance, insurance, real estate and business services	5.6	4.5	4.0	5.8
Community, social, and personal services	18.5	21.0	19.0	22.3
o.w.: government employees	(...)	(...)	(12.5)	(13.0)
Unclassified	0.4	-	1.9	0.6
Unemployed	5.7	14.0	16.7	11.3
	(In percent)			
Participation rate	43.9	42.8	46.4	45.9
Participation rate (New Providence)	43.1	43.7	43.8	44.2
Unemployment rate	9.1	21.3	22.0	14.3

a/ For New Providence and Grand Bahama. Figures include resident non-nationals.

Source: Department of Statistics.

Table 2.1: BAHAMAS - EXPENDITURE ON GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES, 1979-84

(In millions of Bahamian dollars)

	1979	1980	1981	1982	1983	1984
Consumption	768.9	844.3	933.5	984.1	1053.4	1158.9
General gov't final consumption expenditure	143.8	167.0	197.3	208.9	238.0	260.5
Private final consumption expenditure	625.1	677.3	736.3	775.2	815.4	898.4
Resident household	611.4	662.0	714.2	751.7	790.8	872.8
Non-profit institutions serving household	13.7	15.3	22.1	23.5	24.6	25.6
Gross capital formation	146.2	244.2	268.8	338.8	352.2	355.5
Increase in stocks	10.9	31.3	29.9	40.1	41.6	50.6
Gross fixed capital formation	135.3	212.9	238.9	298.7	310.6	304.9
Private	76.7	133.6	120.4	183.5	212.5	258.4
Public	58.6	79.3	118.5	115.2	98.2	46.5
Exports of goods & NFS	785.0	939.8	961.2	1038.3	1153.5	1264.3
Of which: Tourism	505.5	577.6	632.2	654.4	770.3	818.3
Imports of goods & NFS	686.2	839.6	889.7	939.9	1005.3	1072.3
Gross Domestic Product at m.p.	1013.9	1188.7	1273.9	1421.3	1553.8	1706.3

Source: Statistics Department.

Table 2.2: BAHAMAS - EXPENDITURE ON GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES, 1979-84

(In percent)

	1979	1980	1981	1982	1983	1984
Consumption	75.8	71.0	73.3	69.2	67.8	67.9
General gov't final consumption expenditure	14.2	14.0	15.5	14.7	15.3	15.3
Private final consumption expenditure	61.7	57.0	57.8	54.5	52.5	52.6
Resident household	60.3	55.7	56.1	52.9	50.9	51.1
Non-profit institutions serving household	1.4	1.3	1.7	1.7	1.6	1.5
Gross capital formation	14.4	20.5	21.1	23.8	22.7	20.8
Increase in stocks	1.1	2.6	2.3	2.8	2.7	3.0
Gross fixed capital formation	13.3	17.9	18.8	21.0	20.0	17.9
Private	7.6	11.2	9.5	12.9	13.7	15.1
Public	5.8	6.7	9.3	8.1	6.3	2.7
Exports of goods & NFS	77.4	79.1	75.5	73.1	74.2	74.1
Of which: Tourism	49.9	48.6	49.6	46.0	49.6	48.0
Imports of goods & NFS	67.7	70.6	69.8	66.1	64.7	62.8
Gross Domestic Product at m.p.	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistics Department.

Table 2.3: BAHAMAS - EXPENDITURE ON GROSS DOMESTIC PRODUCT AT CONSTANT MARKET PRICES, 1979-84

(In millions of 1977 Bahamian dollars)

	1979	1980	1981	1982	1983	1984
Consumption	663.9	650.6	647.5	643.5	661.8	700.6
General gov't final consumption expenditure	124.2	128.7	136.8	136.6	149.5	157.5
Private final consumption expenditure	539.8	521.9	510.7	506.9	512.3	543.1
Resident household	527.9	510.1	495.4	491.6	496.9	527.7
Non-profit institutions serving household	11.8	11.8	15.3	15.4	15.5	15.5
Gross capital formation	122.8	186.6	188.4	228.3	229.6	223.9
Increase in stocks	9.4	24.1	20.7	26.2	26.1	30.6
Gross fixed capital formation	113.4	162.5	167.7	202.1	203.4	193.3
Private	64.3	102.0	84.5	124.2	139.2	163.9
Public	49.1	60.5	83.1	77.9	64.3	29.5
Exports of goods & NFS	674.0	741.7	679.1	737.7	801.9	880.2
Of which: Tourism	473.1	511.0	457.2	463.8	507.8	527.1
Imports of goods & NFS	547.6	604.9	628.3	655.9	709.0	757.3
Gross Domestic Product at m.p.	913.1	973.9	886.7	953.6	984.3	1047.5

Memo:

	DEFLATORS					
Consumption	115.8	129.8	144.2	152.9	159.2	165.4
Gross Capital Formation	119.0	130.9	142.7	148.4	153.4	158.7
Exports of Goods	116.5	126.7	141.5	140.8	143.9	143.6
Imports of Goods & NFS	125.3	138.8	141.6	143.3	141.8	141.6
GP at m.p.	111.0	122.1	143.7	149.0	157.9	162.9

Source: Statistics Department and staff estimates.

Table 3.1: BAHAMAS - BALANCE OF PAYMENTS, 1977-84

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	1984
Exports, GFS	589.3	688.1	785.0	939.9	961.2	1038.3	1153.5	1264.3
Goods (f.o.b.), non-oil	135.9	146.4	170.5	200.5	176.2	221.6	244.7	298.2
Non-factor services	453.4	541.7	614.5	739.4	785.0	816.7	908.8	966.1
Tourism	371.2	445.2	505.5	577.7	632.2	654.4	770.3	818.3
Local expenses of offshore companies	57.1	62.0	71.3	119.3	118.0	111.2	95.0	89.4
Other government	13.3	17.9	15.1	15.0	13.5	19.5	15.9	31.9
Others	11.8	16.6	22.6	27.4	21.3	31.6	27.6	26.5
Imports, GFS	471.6	562.0	686.2	839.6	889.7	939.9	1005.3	1072.3
Goods (f.o.b.), non-oil	281.9	336.1	413.1	497.5	510.3	519.0	582.1	641.6
Oil imports, net a/	44.9	55.5	95.2	128.6	123.4	119.0	112.9	121.4
Non-factor services	144.8	170.4	177.9	213.5	256.0	301.9	310.3	309.3
Travel	54.4	61.0	53.6	70.7	91.2	104.3	95.5	105.7
Transportation	2.8	8.1	16.4	4.0	8.8	16.0	9.7	13.1
Freight and insurance	28.9	33.6	41.4	44.7	48.8	50.4	58.5	64.8
Merchandise	22.9	27.2	33.5	39.1	41.3	42.1	47.2	52.0
Non-merchandise	6.0	6.4	7.9	5.6	7.5	8.3	11.3	12.8
Other government	10.7	15.7	18.7	18.5	24.1	21.7	29.6	20.5
Others	48.0	52.0	47.8	75.6	83.1	109.5	117.0	105.2
Resource balance	117.7	126.1	98.8	100.3	71.5	98.4	148.2	192.0
Factor service payments	74.2	112.2	123.4	113.6	138.8	114.9	122.8	153.8
Private transfers, net	-18.6	-22.2	-15.8	-19.7	-13.9	-17.7	-10.3	-14.6
Current account balance	24.9	-8.3	-40.4	-33.0	-61.2	-34.2	15.1	23.6
Private sector, net	45.4	-14.2	-15.8	2.5	104.7	-2.5	-14.7	-26.9
Private long term, net	35.7	-14.7	3.5	7.6	87.3	23.1	2.7	-10.3
Property purchase	20.0	-2.3	8.1	-0.4	15.5	-3.4	-2.3	-5.4
Long-term loans	4.3	-13.5	-6.1	3.5	52.9	22.3	8.7	-5.3
Other investments	11.4	1.1	1.5	4.5	18.9	6.2	-3.7	0.4
Commercial banks and other financial institutions	9.7	0.5	-19.3	-5.1	17.4	-27.6	-17.4	-16.6
Public sector, net	0.5	12.1	-4.4	-6.8	71.4	66.4	6.2	-27.5
Gross disbursements	30.8	23.5	15.6	11.2	102.3	84.5	23.4	1.7
Central government	15.0	16.1	0.5	-	60.2	71.4	21.3	1.2
Public corporations b/	15.8	7.4	15.1	11.2	42.1	13.1	2.1	0.5
Amortization	30.3	11.4	20.0	18.0	30.9	18.1	17.2	29.2
SDR allocation	-	-	4.4	4.5	4.3	-	-	-
Gold restitution and profits	0.4	0.2	0.2	11.0	-	-	-	-
Errors and omissions, net	-49.9	1.7	75.6	35.8	-91.3	-16.4	3.5	69.8
Change in international reserves (increase = -)	-21.3	8.5	-19.6	-14.0	-7.9	-13.3	-10.1	-39.0

a/ Excludes oil transactions related to bunkering and offshore refining and transshipment activities.

b/ Includes private.

Sources: Central bank of the Bahamas; and mission estimates.

Table 3.2: BAHAMAS - TRANSACTIONS OF OFFSHORE COMPANIES, 1977-84

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	1984
A. Local Expenses of Offshore Companies								
Oil refinery	16.3	20.8	24.2	61.3	52.1	47.7	31.4	22.2
Transshipment terminal	-	-	-	-	8.2	-	-	-
Offshore banks & trust companies	12.8	12.0	13.3	14.0	14.6	16.1	18.3	21.1
Offshore manufacturing companies a/	18.4	21.0	25.7	33.0	29.3	28.8	31.6	31.3
Shipping & other misc. companies	9.6	8.2	8.1	11.0	13.9	18.6	13.7	14.7
Total	57.1	62.0	71.3	119.3	118.1	111.2	95.0	89.3
B. Transactions of Offshore Manufacturing Companies								
Exports, f.o.b.	49.2	69.8	88.0	97.9	80.4	100.2	110.1	134.4
Imports of raw materials	35.0	44.7	58.8	65.7	51.4	54.4	54.8	58.3
Foreign expenses	5.0	6.3	9.2	11.1	5.8	5.1	14.1	4.7

a/ Net of local sales.

Sources: Central Bank of the Bahamas; and IMF estimates.

Table 3.3: BAHAMAS - MERCHANDISE DOMESTIC EXPORTS BY END USE CATEGORY, 1977-83

(In millions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983
Food and live animals	9.44	9.05	11.77	12.18	...	14.04	14.69
Beverages and tobacco	13.78	12.95	9.80	8.00	...	20.39	13.57
Crude materials, inedible except fuel	14.82	8.88	17.03	10.76	...	15.96	12.90
Mineral fuels, lubricants and related materials	-	-	-	-	...	-	-
Animal & vegetable oils & fats	-	-	-	-	...	-	-
Chemicals	38.20	69.08	60.12	88.55	...	128.15	167.53
Manufactured goods classified chiefly by materials	3.21	4.32	25.14	15.35	...	2.31	0.01
Machinery & transport equipment	0.08	0.55	0.89	0.20	...	0.56	0.96
Misc. manufactured articles	0.03	0.13	0.26	0.56	...	0.16	0.35
Commodities & transactions not classified according to kind	-	-	-	-	...	-	-
Total domestic merchandise exports	79.56	104.96	125.01	135.60	...	181.57	209.99

... = not available

Source: External Trade Section, Department of Statistics.

Table 3.4: BAHAMAS - MERCHANDISE IMPORTS BY END USE CATEGORY, 1977-83

(In millions of U.S. dollars)

	1977	1978	1979	1980	1981	1982	1983
Food and live animals	54.33	53.99	58.14	126.24	...	147.84	131.25
Beverages and tobacco	10.57	10.76	14.30	26.14	...	32.29	25.88
Crude materials, inedible except fuel	3.91	6.04	4.95	15.35	...	12.40	11.81
Mineral fuels, lubricants and related materials	44.90	55.40	95.20	128.58	123.41	119.02	112.81
Animal & vegetable oils & fats	0.59	0.70	0.55	1.49	...	1.52	1.54
Chemicals	38.83	39.54	33.98	74.55	...	119.42	75.61
Manufactured goods classified chiefly by materials	35.29	40.33	42.74	122.58	...	104.27	103.66
Machinery & transport equipment	41.14	51.67	71.07	118.46	...	145.42	128.98
Misc. manufactured articles	36.66	44.11	44.60	191.41	...	101.10	112.17
Commodities & transactions not classified according to kind	0.15	0.62	0.20	2.00	...	0.76	0.94
Total merchandise imports	266.35	303.15	365.72	806.79	...	784.04	704.66

... = not available

Source: External Trade Section, Department of Statistics.

Table 3.5: BAHAMAS - EXPORTS BY MAJOR COMMODITIES, 1975-83

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Crawfish									
Quantity ('000 lbs.)	866	1514	1758	1383	1029	...	...	1834	1862
Unit price (US\$/lb.)	3.27	4.19	4.92	5.31	8.22	...	...	6.57	6.70
Value ('000 US\$)	2826	6341	8657	7346	8463	...	...	12047	12469
Pulpwood									
Quantity ('000 tons)	88	207	35	-	-	-	-	-	-
Unit price (US\$/ton)	8.73	8.65	8.79	-	-	-	-	-	-
Value ('000 US\$)	772	1792	312	-	-	-	-	-	-
Crude salt									
Quantity ('000 tons)	1091	1932	1356	546	1472	...	...	898	843
Unit price (US\$/ton)	3.69	4.61	4.86	5.50	2.76	...	...	9.69	9.68
Value ('000 US\$)	4027	8901	6591	3004	4063	...	...	8700	8161
Aragomite									
Quantity ('000 tons)	1458	2049	2705	2541	4684	...	...	2648	2009
Unit price (US\$/ton)	1.99	2.01	2.02	2.00	2.54	...	...	2.16	1.99
Value ('000 US\$)	2897	4126	5469	5081	11910	...	...	5712	3995
Cascarilla bark									
Quantity ('000 lbs.)	59	17	19	60	181	...	...	87	139
Unit price (US\$/lb.)	1.91	3.17	1.11	1.21	1.35	...	...	5.02	2.42
Value ('000 US\$)	113	55	21	72	245	...	...	436	337
Rum									
Quantity ('000 proof gallons)	2291	1815	2711	1944	3529	...	...	2173	1397
Unit price (US\$/proof gallon)	6.10	6.93	5.18	6.63	2.73	...	...	9.22	9.32
Value ('000 US\$)	13970	12584	14036	12893	9640	...	...	20037	13020
Hormones									
Quantity ('000 grams)	...	5146	4747	2738	4957	...	...	4270	5726
Unit price (US\$/gram)	...	8.82	5.48	10.09	5.52	...	...	8.40	6.79
Value ('000 US\$)	26023	45400	25989	27627	27350	...	...	35853	38907
Other domestic exports	7064	6800	18480	48937	63337	...	...	98785	133106
Total domestic exports	<u>57693</u>	<u>86000</u>	<u>79555</u>	<u>104960</u>	<u>125007</u>	<u>...</u>	<u>...</u>	<u>181570</u>	<u>209995</u>

... = not available

Sources: Central Bank of the Bahamas; Department of Statistics; and mission estimates.

Table 3.6: BAHAMAS - VOLUME AND VALUE OF OIL IMPORTS FOR LOCAL CONSUMPTION, 1977-84

(Volume - '000 barrels; Value - '000B\$)

Period	D O M E S T I C							Foreign Bunkers	Total Local Consumption	
	Propane	Motor Gasoline	Aviation Gasoline	Kerosene Jet fuel	Bunker "C"	Gas Oil	Lubricants and other			
1977										
Volume	96	709	36	176	829	919	11	2776	4736	7512
Value	1404	13260	930	2942	10815	14701	850	44902	63551	108453
1978										
Volume	101	800	49	206	1351	973	35	3515	5862	9397
Value	1247	15282	1295	3499	16466	16045	1565	55399	76412	131811
1979										
Volume	116	888	50	223	1626	1098	37	4038	5758	9796
Value	1768	25322	2000	6394	28430	29271	2015	95200	89155	184355
1980										
Volume	125	851	51	171	1314	1164	38	3714	4635	8349
Value	2610	34654	3312	7248	31155	46999	2602	128580	174848	303428
1981										
Volume	141	924	41	125	768	1100	47	3146	4621	7767
Value	3752	40668	2838	5494	22016	45219	3419	123406	153659	277065
1982										
Volume	117	926	42	133	865	1034	39	3156	3368	6524
Value	2829	39582	2952	5767	22608	42012	3272	119022	102299	221321
1983										
Volume	121	997	44	152	992	896	41	3243	3541	6784
Value	3389	38499	2779	5631	26743	32266	3502	112809	106383	219192
1984										
Volume	133	1035	49	231	1048	890	30	3416	2726	6142
Value	3344	40190	2921	8435	30977	32541	2927	121335	91436	212771

Source: Central Bank of the Bahamas.

Table 4.1: BAHAMAS - OUTSTANDING GOVERNMENT DEBT, 1977-84

(In millions of Bahamian dollars; at end of year)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Total	187.9	206.8	237.3	245.9	286.2	356.0	446.3	465.6
Foreign currency	69.4	59.9	53.8	40.8	87.7	147.9	162.2	154.4
External debt	34.8	29.1	21.3	14.7	46.0	93.5	112.8	113.7
Commercial banks	7.2	7.4	6.3	4.7	41.2	92.6	108.9	108.8
Offshore financial institutions	14.6	12.4	9.1	6.3	3.2	-	-	-
International financial institutions	13.0	9.3	5.9	3.7	1.6	0.9	3.9	4.9
Debt to local institutions	34.6	30.8	32.5	26.1	41.7	54.4	49.4	40.7
Commercial banks	34.0	30.3	32.1	25.8	41.5	54.4	49.4	40.7
Other local financial institutions	0.6	0.5	0.4	0.3	0.2	-	-	-
Bahamian dollars	118.5	146.9	183.5	205.1	198.5	208.1	284.1	311.2
Treasury bills	15.0	15.0	19.0	24.0	24.1	40.0	40.0	40.0
Central Bank	-	1.0	6.7	13.1	6.1	2.0	1.5	10.5
Commercial banks	15.0	10.0	4.0	1.0	8.0	8.5	13.0	14.0
National Insurance Board	-	4.0	8.0	9.8	10.0	29.5	25.5	15.5
Other	-	-	0.3	0.1	-	-	-	-
Long-term securities	85.8	114.0	149.2	162.2	153.3	141.1	200.1	215.1
Central Bank	-	1.4	5.0	14.3	13.2	5.5	13.4	5.5
Commercial banks	34.0	43.6	50.5	40.7	35.0	31.8	39.5	41.6
National Insurance Board	35.0	45.0	65.0	76.2	75.4	75.4	109.0	120.5
Other	16.8	24.0	28.7	31.0	29.7	28.4	38.2	47.5
Loans and advances a/	17.7	17.9	15.3	18.9	21.1	27.0	44.0	56.1

a/ Includes short-term loans and advances.

Sources: Ministry of Finance; Central Bank of the Bahamas; and mission estimates.

Table 4.2: BAHAMAS - SUMMARY OF FOREIGN CURRENCY DEBT OPERATIONS OF THE PUBLIC SECTOR, 1977-84

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Outstanding debt at beginning of year	85.4	108.9	95.9	99.4	102.3	162.9	230.3	237.9
Government	56.3	69.4	59.9	53.8	40.8	87.7	147.9	162.3
Government guaranteed	29.1	39.5	36.0	45.6	61.5	75.2	82.4	75.6
Plus new drawings	37.7	3.4	25.8	22.3	103.9	83.1	23.5	1.7
Government	21.4	1.2	10.9	1.4	60.8	67.2	19.5	1.5
Government guaranteed	16.3	2.2	14.9	20.9	43.1	15.9	4.0	0.2
Less amortization	14.2	16.4	22.3	19.4	43.3	15.7	15.9	30.3
Government	8.3	10.7	17.0	14.4	13.9	7.0	5.1	9.2
Government guaranteed	5.9	5.7	5.3	5.0	29.4	8.7	10.8	21.1
Outstanding debt at end of year	108.9	95.9	99.4	102.3	162.9	230.3	237.9	209.3
Government	69.4	59.9	53.8	40.8	87.7	147.9	162.3	154.6
Government guaranteed	39.5	36.0	45.6	61.5	75.2	82.4	75.6	54.7
Interest charges	6.3	9.1	11.3	11.9	14.2	25.6	25.9	26.3
Government	3.8	5.0	6.8	6.7	5.7	18.0	19.7	19.6
Government guaranteed	2.5	4.1	4.5	5.2	8.5	7.6	6.2	6.7
Debt service	20.5	25.5	33.6	31.3	57.5	41.3	41.8	56.6
Government	12.1	15.7	23.8	21.1	19.6	25.0	24.8	28.8
Government guaranteed	8.4	9.8	9.8	10.2	37.9	16.3	17.0	27.8
Government debt service/ government revenues (%)	8.3	9.0	11.2	8.1	6.7	8.5	7.9	8.3
Total debt service/receipts from exports of goods & NFS (%)	3.5	3.7	4.3	3.3	6.0	4.0	3.6	4.5

Sources: Ministry of Finance; Central Bank of the Bahamas; public corporations;
and mission estimates.

Table 4.3: BAHAMAS - OUTSTANDING PUBLIC SECTOR DEBT IN FOREIGN CURRENCY, 1977-84

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Government	69.4	59.9	53.8	40.8	87.7	147.9	162.2	154.4
External	34.8	29.1	21.3	14.7	46.0	93.5	112.8	113.7
Domestic	34.6	30.8	32.5	26.1	41.7	54.4	49.4	40.7
Government guaranteed	39.5	36.0	45.6	61.5	75.2	82.4	75.7	54.9
External	15.9	17.0	27.1	31.9	61.2	62.1	57.5	47.1
Domestic	23.6	19.0	18.5	29.6	14.0	20.3	18.2	7.8
Total	108.9	95.9	99.4	102.3	162.9	230.3	237.9	209.3
External	50.7	46.1	48.4	46.6	107.2	155.6	170.3	160.8
Domestic	58.2	49.8	51.0	55.7	55.7	74.7	67.6	48.5

Sources: Ministry of Finance; Central Bank of the Bahamas; public corporations; and mission estimates.

Table 5.1: BAHAMAS - GOVERNMENT OPERATIONS AND FINANCING, 1977-85

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984	Budget 1985
Current revenue	146.3	174.2	212.4	261.0	293.1	295.6	314.0	347.3	423.1
Current expenditure	143.6	166.5	189.1	219.6	256.0	283.6	318.6	342.1	361.1
<u>Current account balance</u>	<u>2.7</u>	<u>7.7</u>	<u>23.3</u>	<u>41.4</u>	<u>37.1</u>	<u>12.0</u>	<u>-4.6</u>	<u>5.2</u>	<u>62.0</u>
Capital expenditure	22.9	26.7	24.4	37.2	41.9	40.4	22.7	22.5	65.0
Capital formation	16.4	11.1	17.6	25.1	29.2	30.4	19.1	10.3	44.1
Purchase of assets	0.0	11.8	0.0	0.4	0.0	0.0	0.1	0.1	6.5
Capital transfers	6.5	3.8	6.8	11.7	12.7	10.0	3.5	9.5	14.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.6	0.0
<u>Overall balance</u>	<u>-20.2</u>	<u>-19.0</u>	<u>-1.1</u>	<u>4.2</u>	<u>-4.8</u>	<u>-28.4</u>	<u>-27.3</u>	<u>-17.3</u>	<u>-3.0</u>
Loans and advances	7.7	13.6	12.8	2.1	53.9	43.0	53.9	3.4	0.0
<u>Net financing requirement</u>	<u>-27.9</u>	<u>-32.6</u>	<u>-13.9</u>	<u>2.1</u>	<u>-58.7</u>	<u>-71.4</u>	<u>-81.2</u>	<u>-20.7</u>	<u>-3.0</u>
<u>Financing</u>	<u>27.9</u>	<u>32.6</u>	<u>13.9</u>	<u>-2.1</u>	<u>58.7</u>	<u>71.4</u>	<u>81.2</u>	<u>20.7</u>	<u>3.0</u>
Foreign currency	13.0	-9.5	-6.1	-13.0	46.9	60.2	14.3	-7.8	...
External	8.4	-5.7	-7.8	-6.6	31.3	47.5	19.3	0.9	...
Domestic	4.6	-3.8	1.7	-6.4	15.6	12.7	-5.0	-8.7	...
Bahamian dollars	14.9	42.1	20.0	10.9	11.8	11.2	66.9	28.5	...
Treasury bills	1.0	0.0	4.0	5.0	0.1	15.9	0.0	0.0	...
Central Bank	-3.9	1.0	5.7	6.4	-7.0	-4.1	-0.5	9.0	...
Commercial banks	5.7	-5.0	-6.0	-3.0	7.0	0.5	4.5	1.0	...
National Insurance Board	-0.8	4.0	4.0	1.8	0.2	19.5	-4.0	-10.0	...
Other	-	0.0	0.3	-0.2	-0.1	0.0	0.0	0.0	...
Long-term securities	24.1	28.2	35.2	13.0	-8.9	-12.2	59.0	15.0	...
Central Bank	-4.0	1.4	3.6	9.3	-1.1	-7.7	7.9	-7.9	...
Commercial banks	3.5	9.6	6.9	-9.8	-5.7	-3.2	7.7	2.1	...
National Insurance Board	19.0	10.0	20.0	11.2	-0.8	0.0	33.6	11.5	...
Other	5.6	7.2	4.7	2.3	-1.3	-1.3	9.8	9.3	...
Loans and advances	-2.9	0.2	-2.6	3.6	2.2	5.9	17.0	12.1	...
Deposits (increase = -)	-10.2	13.5	-18.0	-6.9	17.2	-4.5	4.6	1.7	...
Residual	2.9	0.2	1.4	-3.8	1.2	6.1	-13.7	-0.3	...

Sources: Ministry of Finance; Central Bank of the Bahamas; and mission estimates.

Table 5.2: BAHAMAS - GOVERNMENT REVENUE, 1977-85

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984	Budget 1985
Total revenue	146.3	174.2	212.4	261.0	293.1	295.6	314.0	347.3	423.1
Tax revenue	120.4	142.4	178.5	204.0	211.7	219.2	253.4	273.9	342.0
Company fees	6.8	7.0	7.9	11.4	11.7	12.1	13.3	14.0	18.8
Property tax	4.4	5.5	6.4	6.0	6.3	6.9	9.0	10.3	14.0
Stamp tax	4.9	7.2	9.1	9.6	9.9	9.8	11.1	9.8	15.0
Motor vehicle tax	3.2	3.4	3.7	3.9	4.2	4.1	6.3	6.6	7.3
Tourism tax	5.1	6.3	10.1	11.5	11.1	11.7	15.1	16.4	20.1
Gaming tax	8.4	10.0	13.1	12.5	12.1	11.5	12.1	13.8	17.0
Taxes on international trade	87.6	103.0	128.2	149.1	156.4	163.1	186.5	203.0	249.8
Import duties	81.2	96.8	119.0	140.0	146.3	153.6	173.7	188.2	230.5
Stamp duty	3.3	4.1	5.2	6.2	6.3	6.3	9.8	10.7	15.5
Export duty	3.1	2.1	4.0	2.9	3.8	3.2	3.0	4.1	3.8
Non-tax revenue	25.9	31.8	33.9	57.0	81.4	76.4	60.6	73.4	81.1
Property income	5.0	6.7	7.8	9.9	18.7	20.3	16.6	33.7	26.6
Rentals	2.0	2.0	2.0	2.1	4.3	4.6	4.8	24.2	15.0
Interest, dividends, & royalties	1.2	2.2	1.6	3.1	3.6	3.8	2.7	2.4	3.9
Central Bank profits	1.6	1.6	3.0	3.1	8.0	7.4	6.5	6.8	7.5
Other	0.2	0.9	1.2	1.6	2.8	4.5	2.6	0.3	0.2
Administrative fees & charges	11.8	15.8	17.3	37.2	54.4	44.2	29.9	28.0	31.2
Immigration fees	6.0	7.1	7.5	6.8	8.2	7.8	7.5	7.3	7.7
Other	5.8	8.7	9.8	30.4	46.2	36.4	22.4	20.7	23.5
Reimbursements	2.9	2.4	1.7	2.0	0.9	4.4	3.6	1.6	9.8
Services of a commercial nature a/	6.2	6.9	7.1	7.9	7.4	7.5	10.5	10.1	13.5

a/ Revenues of the Aviation, Port and Marine, Post Office, and Water Departments.

Since 1977, most of the duties of the Water Department have been taken over by the Bahamas Water and Sewerage Corporation.

Sources: Ministry of Finance; and mission estimates.

Table 5.3: BAHAMAS - GOVERNMENT CURRENT EXPENDITURE, 1977-85

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984	Budget 1985
Total current expenditure	143.6	166.5	189.1	219.6	256.0	283.6	318.6	342.1	361.1
Wages and salaries	79.6	90.9	98.8	114.0	134.4	146.4	166.7	184.3	190.4
Other goods and services	32.1	40.0	48.0	57.0	68.3	64.8	72.1	76.5	80.0
Interest payments	13.1	16.5	20.1	22.1	24.2	35.9	40.2	43.5	44.4
Foreign currency	3.9	5.6	7.3	6.4	5.7	18.0	19.7	19.6	19.0
Domestic currency	9.2	10.9	12.8	15.7	18.5	17.9	20.5	23.9	25.4
Subsidies and transfers	12.6	11.9	14.0	16.9	18.9	25.9	28.7	26.6	33.3
Education	4.7	3.7	4.7	5.6	5.6	6.5	5.8	5.9	8.0
Pensions	3.1	3.6	4.0	5.3	6.8	7.4	10.4	10.5	9.7
National Insurance Board	1.0	1.0	1.0	1.0	1.0	1.9	2.6	2.5	2.5
Tax refunds	1.4	2.0	2.3	2.5	3.8	6.1	7.5	6.2	5.5
Other	2.4	1.6	2.0	2.5	1.7	4.0	2.4	1.5	7.6
Services of commercial nature a/	6.2	7.2	8.2	9.6	10.2	10.6	10.9	11.2	13.0
Memorandum items:									
Debt redemption	19.9	17.8	22.5	24.2	22.8	23.5	22.1	24.2	44.3
Foreign currency	8.4	9.8	16.8	14.4	13.9	7.0	5.1	9.2	18.3
Domestic currency	11.5	8.0	5.7	9.8	8.9	16.5	17.0	15.0	26.0

a/ Expenditures by the Aviation, Port and Marine, Post Office, and Water Department. Since 1977, most of the duties of the water Department have been taken over by the Bahamas Water and Sewerage Corporation.

Sources: Ministry of Finance; and mission estimates.

Table 5.4: BAHAMAS - GOVERNMENT CAPITAL EXPENDITURE, 1977-85

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984	Budget 1985
Total capital expenditure, transfers, and lending	30.6	40.3	37.2	39.3	95.8	83.4	76.6	25.9	65.0
Capital formation	16.4	11.1	17.6	25.1	29.2	30.4	19.1	10.3	44.1
Agriculture and fisheries	1.0	1.2	1.6	2.2	1.6	1.4	2.9	0.2	0.8
Education	1.6	1.7	1.9	3.0	5.4	4.8	7.2	1.9	6.9
Health	1.9	1.3	1.8	1.4	1.5	0.9	0.2	0.3	4.1
Public works	1.2	1.8	4.3	5.7	14.5	10.7	3.8	3.0	12.9
Commercial services a/	1.0	0.8	6.2	9.4	3.9	9.3	1.6	1.3	9.2
Defense	7.7	3.3	0.6	0.7	0.7	1.3	-	0.2	1.1
Other	2.0	1.0	1.2	2.7	1.6	2.0	3.4	3.4	9.1
Capital transfers	6.5	3.8	6.8	11.7	12.7	10.0	3.5	9.5	14.4
Bahamasair	3.5	3.0	2.8	4.8	4.5	-	2.3	7.7	5.7
Water Corporation	3.0	-	3.0	3.5	-	-	-	-	-
Other	-	0.8	1.0	3.4	8.2	10.0	1.2	1.8	8.7
Purchase of assets	-	11.8	-	0.4	-	-	0.1	0.1	6.5
Loss from sale of assets	-	-	-	-	-	-	-	2.6	-
Loans and advances	7.7	13.6	12.8	2.1	53.9	43.0	53.9	3.4	...
Bahamasair	1.0	2.0	0.7	-	3.4	1.5	3.1	-	...
Broadcasting Corporation	1.5	1.0	4.7	-	-	-	-	-	...
Development Bank	-	5.0	-	-	-	-	-	-	...
Electricity Corporation	4.5	2.2	-	-	-	10.0	-	-	...
Hotel Corporation	-	-	7.0	1.3	46.9	28.1	47.4	3.4	...
Water Corporation	-	-	-	-	2.0	-	-	-	...
Other	0.7	3.4	0.4	0.8	1.6	3.4	3.4	-	...

a/ Expenditures by the Aviation, Port and Marine, Post Office, and Water Department. Since 1977, most of the duties of the water Department have been taken over by the Bahamas Water and Sewerage Corporation, to which the Government makes capital contribution.

Sources: Ministry of Finance; and mission estimates.

Table 5.5: BAHAMAS - SUMMARY ACCOUNTS OF THE NATIONAL INSURANCE BOARD, 1977-85

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984	Budget 1985
Revenue	23.0	25.5	28.9	32.6	36.6	38.5	48.4	53.8	56.5
Contributions	19.0	20.0	21.9	23.1	24.1	23.2	29.6	33.9	33.0
Central Government	3.0	3.2	3.6	3.6	4.0	4.3	4.5	5.0	4.5
Other	16.0	16.8	18.3	19.5	20.1	18.9	25.1	28.9	28.5
Investment income	3.0	4.5	6.0	8.5	11.3	13.5	16.3	17.4	21.1
Gross government securities	1.9	4.0	5.0	6.1	8.2	8.3	11.0	13.0	15.2
Other	1.1	0.5	1.0	2.4	3.1	5.2	5.3	4.4	5.9
Grant from Central Government	1.0	1.0	1.0	1.0	1.2	1.8	2.5	2.5	2.4
Current expenditure	5.8	7.0	7.3	8.0	11.4	15.1	19.9	22.2	34.1
Benefits	3.5	4.6	4.9	5.4	8.3	11.3	15.3	16.5	27.5
Administration	2.3	2.4	2.4	2.6	3.1	3.8	4.6	5.7	6.6
Current account balance	17.2	18.5	21.6	24.6	25.2	23.4	28.5	31.6	22.4
Capital expenditure	-	-	-	0.1	0.1	0.1	0.1	0.2	2.3
Overall account balance	17.2	18.5	21.6	24.5	25.1	23.3	28.4	31.4	20.1
Financial savings	17.2	18.5	21.6	24.5	25.1	23.3	28.4	31.4	20.1
Purchases of government securities	19.0	10.0	20.0	12.0	-0.8	-	37.1	11.5	...
Other loans and securities	-	-	-	-	-	-	5.7	14.8	...
Purchases of Treasury bills	-0.8	4.0	4.0	1.8	0.3	19.5	-4.0	-9.7	...
Change in banking system deposits (decrease = -)	1.1	3.4	-3.0	10.3	24.7	4.9	-6.1	14.1	...
Residual a/	-2.1	1.1	0.6	0.4	0.9	-1.1	-4.3	0.7	...

a/ The National Insurance Board accounts are on an accrual basis. The residual includes changes in contributions in arrears, as well as changes in cash balances.

Sources: Audited accounts of the National Insurance Board; and mission estimates.

Table 5.6: BAHAMAS - SUMMARY OPERATIONS OF THE NONFINANCIAL PUBLIC CORPORATIONS a/, 1977-85

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984	Budget 1985
Revenue	83.6	111.2	129.4	164.5	169.9	178.9	205.9	249.6	257.8
Expenditure	80.1	96.5	111.3	138.8	152.0	167.5	177.5	185.7	204.7
<u>Current account balance</u>	<u>3.5</u>	<u>14.7</u>	<u>18.1</u>	<u>25.7</u>	<u>17.9</u>	<u>11.4</u>	<u>28.4</u>	<u>63.9</u>	<u>53.1</u>
Capital expenditure	13.8	14.1	38.5	50.1	83.9	82.0	76.4	38.6	48.6
<u>Overall account balance</u>	<u>-10.3</u>	<u>0.6</u>	<u>-20.4</u>	<u>-24.4</u>	<u>-66.0</u>	<u>-70.6</u>	<u>-48.0</u>	<u>25.3</u>	<u>4.5</u>
<u>Financing</u>	<u>10.3</u>	<u>-0.6</u>	<u>20.4</u>	<u>24.4</u>	<u>66.0</u>	<u>70.6</u>	<u>48.0</u>	<u>-25.3</u>	<u>-4.5</u>
Government transfers & loans	13.5	8.2	18.2	9.6	56.8	39.6	52.8	11.1	5.7
National Insurance Board loan	-	-	-	-	-	-	4.4	-	-
Domestic banking system	12.3	-1.3	-9.7	14.0	-19.2	30.4	-8.8	-30.2	...
Foreign currency	17.2	-6.0	0.4	8.5	-18.1	7.4	-1.5	-9.6	...
Bahamian dollars	-4.9	4.7	-10.1	5.5	-1.1	23.0	-7.3	-20.6	...
External financing	-8.1	0.6	7.7	4.8	29.3	0.9	-5.5	-10.4	...
Residual	-7.4	-8.1	4.2	-4.0	-0.9	-0.3	5.1	4.2	...

Table 5.6: BAHAMAS - SUMMARY OPERATIONS OF THE NONFINANCIAL PUBLIC CORPORATIONS a/, 1977-85

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984	Budget 1985
Bahamasair									
Revenue	13.9	18.3	23.8	30.1	29.4	32.4	38.5	47.0	47.0
Expenditure	16.1	20.0	26.2	32.1	33.6	36.6	44.5	46.9	49.3
Current balance	-2.2	-1.7	-2.4	-2.0	-4.2	-4.2	-6.0	0.1	-2.3
Capital expenditure	0.2	-	16.5	14.5	-	2.4	1.3	0.7	-
Overall balance	-2.4	-1.7	-18.9	-16.5	-4.2	-6.6	-7.3	-0.6	-2.3
Bahamas Broadcasting									
Revenue	1.6	1.9	2.1	2.9	3.3	3.4	3.9	4.4	5.0
Expenditure	2.0	2.5	2.9	3.2	3.6	4.0	4.9	4.5	5.1
Current balance	-0.4	-0.6	-0.8	-0.3	-0.3	-0.6	-1.0	-0.1	-0.1
Capital expenditure	4.9	0.1	0.1	-	0.1	0.2	1.3	0.1	0.4
Overall balance	-5.3	-0.7	-0.9	-0.3	-0.4	-0.8	-2.3	-0.2	-0.5
Bahamas Electricity									
Revenue	27.9	31.5	37.8	52.2	54.1	56.2	66.1	75.2	74.1
Expenditure	23.9	26.3	30.7	46.1	55.2	56.2	53.5	52.5	58.3
Current balance	4.0	5.2	7.1	6.1	-1.1	0.0	12.6	22.7	15.8
Capital expenditure	1.9	1.6	2.1	6.4	39.6	26.1	10.2	6.4	12.6
Overall balance	2.1	3.6	5.0	-0.3	-40.7	-26.1	2.4	16.3	3.2
Bahamas Hotel Corporation									
Revenue	14.4	18.0	20.1	24.8	22.1	21.7	22.2	34.9	38.2
Casino revenue	-	7.5	8.8	9.2	9.7	9.8	12.6	17.1	17.9
Expenditure	17.1	23.7	25.4	29.7	30.0	29.9	29.9	34.3	32.5
Current balance	-2.7	1.8	3.5	4.3	1.8	1.6	4.9	17.7	23.6
Capital expenditure	0.9	8.0	12.5	16.0	27.0	37.9	41.9	8.5	13.5
Overall balance	-3.6	-6.2	-9.0	-11.7	-25.2	-36.3	-37.0	9.2	10.1
Bahamas Telecommunications Corporation									
Revenue	21.5	25.8	28.2	36.1	42.0	44.4	47.9	55.5	59.0
Expenditure	13.7	15.0	18.2	19.9	22.0	30.7	32.0	34.4	46.0
Current balance	7.8	10.8	10.0	16.2	20.0	13.7	15.9	21.1	13.0
Capital expenditure	2.8	2.5	1.0	3.7	6.3	10.0	20.2	21.5	18.0
Overall balance	5.0	8.3	9.0	12.5	13.7	3.7	-4.3	-0.4	-5.0
Water and Sewerage									
Revenue	4.3	8.2	8.6	9.2	9.3	11.0	14.7	15.5	16.6
Expenditure	7.3	9.0	7.9	7.8	7.6	10.1	12.7	13.1	13.5
Current balance	-3.0	-0.8	0.7	1.4	1.7	0.9	2.0	2.4	3.1
Capital expenditure	3.1	1.9	6.3	9.5	10.9	5.4	1.5	1.4	4.1
Overall balance	-6.1	-2.7	-5.6	-8.1	-9.2	-4.5	0.5	1.0	-1.0

a/ The accounts of the public corporations are based on an accrual basis; depreciation allowances have been deducted from expenditure data reported in the accounts. The residual financing item includes changes in accounts payable and receivable as well as changes in cash balances.

Sources: Audited accounts; 1985 budgets of the public corporations; and mission estimates.

Table 6.1: BAHAMAS - SUMMARY ACCOUNTS OF THE FINANCIAL SYSTEM, 1977-84 a/

(In millions of Bahamian dollars, end of period)

	1977	1978	1979	1980	1981	1982	1983	Pre1. 1984
Net official international reserves	67.2	58.6	78.2	92.6	100.2	113.6	123.8	162.7
Other foreign assets (net)	-108.2	-108.7	-89.4	-87.6	-102.5	-74.2	-56.8	-40.2
Net domestic asset	358.6	415.5	439.0	486.1	541.6	604.6	680.3	678.8
Net claims on government	88.8	109.6	98.5	90.6	117.9	117.7	156.2	172.3
In local currency	55.4	79.5	68.2	67.7	78.0	63.5	108.2	130.9
Claims	75.2	85.5	91.0	97.3	91.5	82.0	120.9	142.4
Deposits	-19.8	-6.0	-22.8	-29.6	-13.5	-18.5	-12.7	-11.5
In foreign currency	33.4	30.1	30.3	22.9	39.9	54.2	48.0	41.4
Deposits of the Nat'l Insurance Board	-11.0	-14.2	-11.4	-21.7	-46.4	-51.3	-45.3	-59.5
Net claims on rest of public sector	15.4	14.1	4.3	18.3	1.1	31.5	27.0	-11.3
In local currency	-7.9	-3.2	-13.4	-9.8	-11.5	13.0	10.5	-18.8
Claims	1.0	2.7	1.5	7.2	9.2	30.9	15.9	16.8
Deposits	-8.9	-5.9	-14.9	-17.0	-20.7	-17.9	-5.4	-35.6
In foreign currency	23.3	17.3	17.7	28.1	12.6	18.5	16.5	7.5
Credit to private sector	333.1	364.0	425.0	497.0	569.2	624.9	676.8	735.8
In local currency	257.2	282.7	360.3	436.9	499.5	561.2	618.7	675.5
In foreign currency	75.9	81.3	64.7	60.1	69.7	63.7	58.1	60.3
Capital and surplus	-75.9	-76.6	-75.6	-102.5	-100.0	-109.2	-120.4	-149.6
Other unclassified assets (net)	8.2	18.6	-1.8	4.4	-0.2	-9.0	-14.0	-8.9
Liabilities to private sector	317.6	365.4	427.8	491.1	539.3	644.0	747.3	801.3
Money	83.0	99.4	124.2	125.9	133.8	147.0	169.4	178.0
Currency	23.1	26.4	29.7	33.3	37.3	40.9	45.5	51.0
Demand deposits	59.9	73.0	94.5	92.6	96.5	106.1	123.9	127.0
Savings & fixed deposits, in local currency	216.8	245.4	287.7	346.5	395.9	455.0	530.6	587.6
Foreign currency deposits	17.8	20.6	15.9	18.7	9.6	42.0	47.3	35.7

Source: Central Bank of the Bahamas.

Table 6.2: BAHAMAS - ACCOUNTS OF THE MONETARY AUTHORITIES, 1977-84 a/

(In millions of Bahamian dollars, end of period)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Net official foreign assets	67.2	58.6	78.2	92.6	100.2	113.6	123.8	162.7
Gold holdings a/	0.4	0.5	0.7	-	-	-	-	-
Balances with banks abroad	54.9	45.8	61.1	71.0	76.7	89.6	98.6	117.4
Foreign securities	5.8	6.0	5.7	6.5	8.7	10.2	12.2	33.2
Reserve position in the Fund	6.1	6.3	6.2	11.6	7.7	7.5	11.8	11.4
SDR holdings	-	-	4.5	3.5	7.1	6.3	1.2	0.7
Net domestic assets	-20.6	-4.0	-9.0	-9.3	-13.7	-16.2	-17.8	-50.4
Net claims on government	-3.3	13.7	11.1	27.6	26.1	16.3	30.6	42.3
Claims	15.1	14.9	2.0	42.3	33.4	28.4	35.8	43.9
Treasury bills	-	1.0	6.6	13.1	6.1	2.0	1.5	10.5
Bahamas registered stock	-	1.4	5.0	14.3	13.2	5.5	13.4	5.5
Loans and advances	13.1	12.5	10.9	14.9	14.1	20.9	20.9	27.9
Deposits	-16.4	-1.2	-11.4	-14.7	-7.3	-12.1	-5.2	-1.6
Deposit of the National Insurance Board	-0.8	-0.2	-2.0	-8.3	-21.5	-9.5	-1.8	-31.9
Deposits of public enterprises	-3.9	-2.5	-1.8	-1.9	-2.5	-1.7	-3.2	-12.3
Credit to commercial banks b/	-	-	2.0	10.0	19.0	19.5	-	-
Official capital and surplus	-16.1	-18.7	-23.1	-40.5	-43.6	-49.9	-51.2	-55.9
Net unclassified assets	3.5	3.7	4.8	3.8	8.8	9.1	7.8	7.4
Liabilities to commercial banks	20.5	25.0	30.9	36.3	31.7	38.6	41.8	41.6
Notes and coins	10.5	11.7	14.2	13.8	13.2	17.5	15.4	19.2
Deposits	10.0	13.3	16.7	22.5	18.5	21.1	26.4	22.4
Liabilities to other financial institutions	2.9	3.3	4.1	4.9	5.6	6.6	8.0	9.3
SDR allocations	-	-	4.5	8.8	11.9	11.3	10.7	10.4
Currency held by the private sector	23.1	26.4	29.7	33.3	37.3	40.9	45.5	51.0

a/ Valued at SDR35 per fine ounce.

b/ Includes Central Bank fixed term deposits with commercial banks.

Source: Central Bank of the Bahamas.

Table 6.3: BAHAMAS - ACCOUNTS OF THE COMMERCIAL BANKS, 1977-84

(In millions of Bahamian dollars, end of period)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Net foreign assets	-117.4	-111.8	-92.1	-91.1	-105.6	-76.7	-60.8	-52.2
Net claims on Central Bank	20.5	25.0	28.9	26.3	12.7	19.1	41.8	41.6
Notes and coins	10.5	11.7	14.2	13.8	13.2	17.5	15.4	19.2
Balances	10.0	13.3	16.7	22.5	18.5	21.1	26.4	22.4
Central Bank credit a/	-	-	-2.0	-10.0	-19.0	-19.5	-	-
Net domestic assets	334.9	356.9	375.7	422.8	478.4	526.5	555.0	564.3
Net claims on government	84.6	85.4	78.9	54.8	84.8	95.3	117.2	116.4
Treasury bills	15.0	10.0	4.0	1.0	8.0	8.5	13.0	14.0
Other securities	38.5	47.2	53.0	42.0	35.4	32.4	39.5	41.6
In local currency	33.9	43.6	50.5	40.7	35.0	31.8	39.5	41.6
In foreign currency	4.6	3.6	2.5	1.3	0.4	0.6	-	-
Loans and advances	33.9	32.7	34.2	27.7	47.5	60.2	72.8	70.8
In local currency	4.6	5.4	4.4	4.0	7.0	6.1	23.1	28.2
In foreign currency	29.3	27.3	29.8	23.7	40.5	54.1	49.7	42.6
Less: deposits	2.8	4.5	12.3	15.9	6.1	5.8	8.1	10.0
In local currency	2.3	3.7	10.3	13.8	5.1	5.3	6.4	8.8
In foreign currency	0.5	0.8	2.0	2.1	1.0	0.5	1.7	1.2
Deposit of the National Insurance Board	-10.2	-14.0	-9.4	-13.4	-23.3	-37.5	-40.9	-26.2
Net claims on rest of public sector	19.3	16.6	6.1	20.2	3.6	33.2	30.2	1.0
Loans and advances	24.6	21.7	20.0	36.8	22.3	50.7	33.3	24.9
In local currency	1.0	2.7	1.5	7.2	9.2	30.9	15.9	16.8
In foreign currency	23.6	19.0	18.5	29.6	13.1	19.8	17.4	8.1
Less: deposits	5.3	5.1	13.9	16.6	18.7	17.5	3.1	23.9
In local currency	5.0	3.4	13.1	15.1	18.2	16.2	2.2	23.3
In foreign currency	0.3	1.7	0.8	1.5	0.5	1.3	0.9	0.6
Net claims on other financial institutions	-4.2	-1.8	-0.7	1.0	-	-5.2	-6.6	-3.2
Credit to private sector	266.5	288.8	333.5	386.7	443.4	482.4	509.7	534.9
Securities	4.5	3.4	5.2	7.7	6.8	5.2	6.2	7.4
Loans and advances	262.0	285.4	328.3	379.0	436.6	477.2	503.5	527.5
In local currency	186.3	204.3	263.6	318.9	366.9	413.5	445.4	467.2
In foreign currency	75.7	81.1	64.7	60.1	69.7	63.7	58.1	60.3
Private capital and surplus	-21.8	-31.5	-32.4	-38.4	-33.6	-38.6	-44.6	-54.5
Net unclassified assets	0.7	13.4	-0.3	11.9	3.5	-3.1	-10.0	-4.1
Liabilities to private sector	238.0	270.2	312.5	358.0	385.5	468.9	536.0	553.7
Demand deposits	68.0	82.4	102.3	103.1	103.5	117.1	137.2	137.2
In local currency	59.9	73.0	94.5	92.6	96.5	106.1	123.9	127.0
In foreign currency	8.1	9.4	7.8	10.5	7.0	11.0	13.3	10.2
Savings deposits	56.2	66.9	83.1	94.8	100.7	109.1	124.1	145.3
In local currency	54.6	66.5	83.0	94.6	100.5	107.8	123.0	140.9
In foreign currency	1.6	0.4	0.1	0.2	0.2	1.3	1.1	4.4
Fixed deposits	113.8	120.9	127.1	160.1	181.3	242.7	274.7	271.2
In local currency	105.7	110.1	119.1	152.1	178.9	213.0	241.8	250.1
In foreign currency	8.1	10.8	8.0	8.0	2.4	29.7	32.9	21.1

a/ Includes Central Bank fixed term deposits with commercial banks.

Source: Central Bank of the Bahamas.

Table 6.4: BAHAMAS - ACCOUNTS OF THE OTHER LOCAL FINANCIAL INSTITUTIONS, 1977-84

(In millions of Bahamian dollars, end of period)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
<u>Net foreign assets</u>	<u>9.2</u>	<u>3.1</u>	<u>2.7</u>	<u>3.5</u>	<u>3.1</u>	<u>2.5</u>	<u>4.0</u>	<u>12.0</u>
<u>Claims on Central Bank</u>	<u>2.9</u>	<u>3.3</u>	<u>4.1</u>	<u>4.9</u>	<u>5.6</u>	<u>6.6</u>	<u>8.0</u>	<u>9.3</u>
<u>Net domestic assets</u>	<u>44.4</u>	<u>62.4</u>	<u>78.8</u>	<u>91.4</u>	<u>107.8</u>	<u>125.1</u>	<u>153.8</u>	<u>175.3</u>
Net claims on government	7.5	10.5	8.5	8.2	7.0	6.1	8.4	13.6
Claims	8.6	11.6	9.6	9.3	8.1	7.2	9.5	14.7
Deposits	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Deposits of National Insurance Board	-	-	-	-	-1.6	-4.3	-2.6	-1.4
Net claims on commercial banks	4.9	1.8	0.6	-0.9	-	5.2	6.6	3.2
Credit to private sector	66.6	75.2	91.5	110.3	125.8	142.5	167.1	200.9
Loans and advances	65.3	74.9	91.2	110.0	125.5	142.2	166.8	200.6
Local currency	65.1	74.7	91.2	110.0	125.5	142.2	166.8	200.6
Foreign currency	0.2	0.2	-	-	-	-	-	-
Other local investments	1.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Private capital and surplus	-38.0	-26.4	-20.1	-23.6	-22.8	-20.7	-24.6	-39.2
Net classified assets	3.4	1.3	-1.7	-2.6	-0.6	-3.7	-1.1	-1.8
<u>Private sector savings & fixed deposits</u>	<u>56.5</u>	<u>68.8</u>	<u>85.6</u>	<u>99.8</u>	<u>116.5</u>	<u>134.2</u>	<u>165.8</u>	<u>196.6</u>

Source: Central Bank of the Bahamas.

Table 6.5: BAHAMAS - COMMERCIAL BANKS' RESERVE POSITION, a/ 1978-84

	Total Reserves b/	Required Reserves	Excess Reserves	Net Free Reserves c/	Total Reserves	Excess Reserves	Net Free Reserves c/
	(In millions of Bahamian dollars)				(In percent) d/		
1978	24.1	13.2	10.9	10.9	9.0	4.1	4.1
1979	25.5	15.9	9.6	7.6	8.0	3.0	0.8
1980	27.6	18.8	8.8	-1.2	7.2	2.3	-0.3
1981							
I	31.0	19.1	11.9	10.7	8.1	3.1	2.8
II	32.0	20.4	11.6	11.1	8.0	2.9	2.8
III	31.7	20.7	11.0	3.3	7.8	2.7	0.8
IV	30.9	20.7	10.2	-8.8	7.3	2.4	-2.1
1982							
I	31.3	21.6	9.7	-2.3	7.1	2.2	-0.5
II	34.9	22.8	12.1	4.1	7.5	2.7	0.9
III	31.1	23.3	7.8	-2.7	6.7	1.7	-0.6
IV	33.7	24.3	9.4	-10.1	7.0	2.0	-2.1
1983							
I	31.0	24.5	6.5	-6.5	6.5	1.4	-1.4
II	50.4	24.9	25.5	13.5	8.0	3.1	2.7
III	40.3	26.8	13.5	13.5	7.8	2.6	2.6
IV	37.4	27.0	10.4	10.4	7.0	2.0	2.0
1984							
I	50.4	28.2	22.2	22.2	9.3	4.1	4.1
II	58.2	28.7	29.5	29.5	10.8	5.5	5.5
III	39.3	28.1	11.2	11.2	7.2	2.1	2.1
IV	39.9	28.6	11.3	11.3	7.0	2.0	2.0

a/ Averages for the last month of the period.

b/ Currency holdings plus balances with the Central Bank.

c/ Excess reserves minus borrowing from the Central Bank.

d/ Of Bahamian dollar deposit liabilities of private sector and public corporations.

Source: Central Bank of the Bahamas.

Table 6.6: BAHAMAS - LIQUIDITY POSITION OF COMMERCIAL BANKS, a/ 1978-84

	1978	1979		1980		1981		1982		1983		1984	
	December	June	December	June	December	June	December	June	December	June	December	June	December
(In millions of Bahamian dollars)													
Currency holdings	11.7	7.3	14.2	9.6	13.8	11.3	13.2	11.1	17.5	11.4	15.4	10.0	19.2
Balance with Central Bank	13.3	26.6	16.7	21.6	12.5	17.8	11.1	30.0	12.6	26.5	26.4	48.8	22.4
Treasury bills	10.0	14.9	4.0	7.5	1.0	10.3	8.0	17.0	8.5	12.8	13.0	14.3	14.0
Other government securities	47.1	56.2	53.0	46.9	42.0	39.5	35.4	32.7	32.4	30.9	39.5	42.7	41.6
Net balance with other financial institutions b/	-2.0	-3.9	-2.7	-3.8	-2.5	-2.7	-2.1	-4.4	-0.4	0.3	-0.3	-5.1	1.0
Total eligible liquid asset	80.1	101.1	85.2	81.8	66.8	76.2	65.6	86.4	70.6	81.9	94.0	110.7	98.2
Required liquid assets c/	44.6	51.4	54.6	58.2	62.5	67.0	70.4	74.0	80.5	83.7	87.4	89.0	93.5
Excess liquid assets	35.5	49.7	30.6	23.6	4.3	9.2	-4.8	12.4	-9.9	-1.8	6.6	21.7	4.7
(As per cent of Bahamian dollar deposit liabilities)													
Excess liquid assets	13.1	16.2	9.3	6.7	1.1	2.3	-1.1	2.7	-2.0	-	1.2	4.0	0.8

a/ End of the month figures.

b/ Net demand deposits in Bahamian dollars.

c/ Sum of 20 per cent of Bahamian dollar demand deposits plus 15 per cent of Bahamian dollar fixed and savings deposits.

Sources: Central Bank of the Bahamas; and mission estimates.

Table 6.7: BAHAMAS - LOANS AND ADVANCES OF COMMERCIAL BANKS, a/ 1977-84

(In millions of Bahamian dollars, end of period)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Total	286.6	306.9	348.2	416.9	457.7	531.0	541.9	555.7
Foreign currency	99.3	99.9	83.1	90.8	81.6	83.5	77.9	68.4
Bahamian currency	187.3	207.0	265.1	326.1	376.1	447.5	464.0	487.3
Hotels, restaurants & night clubs	33.9	39.0	38.0	30.5	44.0	57.2	61.2	67.4
Foreign currency	27.9	33.8	29.9	20.0	30.2	31.7	32.9	40.0
Bahamian currency	6.0	5.2	8.1	10.5	13.8	25.5	28.3	27.4
Trade and commerce	32.3	44.2	50.0	55.7	82.0	78.6	81.3	79.3
Foreign currency	2.8	3.9	3.1	2.1	9.3	3.2	3.5	2.9
Bahamian currency	29.5	40.3	46.9	53.6	72.7	75.4	77.8	76.4
Building, construction & real estate	71.0	80.0	79.4	90.8	87.9	47.2	42.6	41.1
Foreign currency	29.2	25.9	11.8	17.7	10.7	11.9	5.8	3.6
Bahamian currency	41.8	54.1	67.6	73.1	77.2	35.3	36.8	37.5
Manufacturing & quarrying	12.5	6.8	1.2	0.6	0.9	13.8	13.6	13.3
Foreign currency	11.9	6.6	1.0	0.2	0.1	-	-	-
Bahamian currency	0.6	0.2	0.2	0.4	0.8	13.8	13.6	13.3
Agriculture and fisheries	1.2	1.4	2.6	3.4	6.5	5.4	6.0	5.7
Foreign currency	-	-	0.4	0.3	0.3	-	-	-
Bahamian currency	1.2	1.4	2.2	3.1	6.2	5.4	6.0	5.7
Personal and other loans	111.1	113.8	157.0	199.1	214.1	278.1	303.9	324.0
Foreign currency	3.9	10.7	18.4	20.9	17.9	16.9	18.3	13.8
Bahamian currency	107.2	103.1	138.6	178.2	196.2	261.2	285.6	310.2
Public corporations	24.6	21.7	20.0	36.8	22.3	50.7	33.3	24.9
Foreign currency	23.6	19.0	18.5	29.6	13.1	19.8	17.4	8.1
Bahamian currency	1.0	2.7	1.5	7.2	9.2	30.9	15.9	16.8

a/ Excluding loans and advances to the government.

Source: Central Bank of the Bahamas.

Table 6.8: BAHAMAS - SELECTED INTEREST RATES, 1979-84

(Quarterly averages, in per cent per annum)

	1979				1980				1981			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Deposit rates a/												
Savings deposits	4.90	4.50	4.72	4.62	5.71	6.10	6.39	6.39	6.44	6.63	6.63	6.63
Fixed deposits												
Up to 3 months	5.10	4.87	4.83	4.64	6.64	7.33	7.33	7.74	7.90	8.11	8.24	8.59
Up to 6 months	6.28	5.48	5.47	5.12	6.75	7.13	7.69	7.98	8.24	8.14	8.27	8.64
Up to 12 months	6.03	5.89	5.71	5.64	6.99	7.31	8.07	8.11	8.40	8.36	8.45	8.92
Over 12 months	6.17	6.21	6.26	6.19	7.13	7.21	8.26	8.56	8.23	8.75	8.78	9.19
Lending rates a/												
Commercial bank prime rate b/												
Mortgages	9.50	9.00	9.00	9.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Residential	12.05	11.19	11.80	11.86	12.50	12.97	12.96	12.82	13.11	13.15	13.13	13.24
Commercial	12.03	11.86	11.64	11.53	12.74	13.07	12.97	12.94	13.06	13.15	13.10	13.56
Consumer loans												
Hire-purchase	17.17	16.72	16.72	16.72	16.76	17.26	17.01	17.76	17.76	17.32	17.32	17.32
Other	15.43	15.04	15.04	15.04	14.37	16.29	16.29	16.27	16.27	16.28	16.25	16.99
Other rates in the												
Bahamas a/												
Treasury bill rate	3.30	2.19	2.66	4.14	6.77	7.16	7.21	8.54	8.08	8.74	8.80	8.65
Central Bank re-discount rate c/	3.80	2.69	3.16	4.64	7.27	7.66	7.71	9.04	8.59	9.24	9.30	9.15
Bank rate d/	10.00	9.50	9.50	10.00	11.00	11.00	11.00	11.00	9.00	9.00	9.00	9.00
Eurodollar rate												
(London)												
3-month deposits	10.87	10.62	11.66	14.70	14.7	11.15	12.08	17.10	16.33	17.47	18.44	13.80

Table 6.8: BAHAMAS - SELECTED INTEREST RATES, 1979-84

(Quarterly averages, in per cent per annum)

	1982				1983				1984			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Deposit rates a/												
Savings deposits	6.65	6.65	6.69	6.71	6.71	6.71	6.85	6.71	6.71	6.71	6.71	6.71
Fixed deposits												
Up to 3 months	8.43	8.22	8.29	8.34	8.22	8.18	8.16	8.42	8.24	7.91	7.95	8.23
Up to 6 months	8.46	8.24	8.30	8.41	8.36	8.46	8.59	8.67	8.39	8.25	8.08	8.33
Up to 12 months	8.75	8.56	8.54	8.62	8.55	8.66	8.71	8.54	8.67	8.47	8.41	8.44
Over 12 months	8.95	8.88	8.83	8.90	8.94	8.86	8.90	8.88	8.94	8.75	9.02	8.74
Lending rates a/												
Commercial bank												
prime rate b/	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Mortgages												
Residential	13.39	13.38	13.35	13.34	13.22	13.18	13.51	13.29	13.21	13.21	13.05	13.06
Commercial	13.48	13.80	13.81	13.61	13.50	14.00	13.85	13.88	13.56	13.44	13.57	13.44
Consumer loans												
Hire-purchase	17.82	18.85	18.86	18.30	18.31	17.94	18.52	18.52	18.52	18.34	18.33	18.33
Other	17.20	17.64	18.37	18.38	18.38	18.09	17.85	17.62	18.02	18.51	18.43	17.38
Other rates in the												
Bahamas a/												
Treasury bill rate	9.12	8.65	8.56	8.83	9.20	9.52	8.80	8.91	8.41	6.89	5.51	6.69
Central Bank re- discount rate c/	9.62	9.15	9.06	9.33	9.70	20.02	9.30	9.41	8.41	6.89	5.51	6.69
Bank rate d/	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Eurodollar rate												
(London)												
3-month deposits	14.98	15.09	12.54	9.90	9.12	9.30	10.04	9.80	10.03	11.35	11.83	9.77

a/ On instruments denominated in Bahamian dollars.

b/ End of period.

c/ The rate at which the Central Bank discounts treasury bills.

d/ The rate which the Central Bank makes advances to the commercial banks, end of period. Beginning January 1982, a surcharge of 1-2 percentage points is applicable to frequent or large borrowers.

Sources: Central Bank of the Bahamas; and International Financial Statistics.

Table 7.1: BAHAMAS - TOURIST ARRIVALS AND TOURIST DAYS, 1977-84

(In thousands)

	1977	1978	1979	1 90	1981	1982	1983	Prel. 1984
Foreign arrivals	1381.4	1707.0	1789.5	1904.5	1763.4	1947.8	2224.1	2325.2
Air	982.2	1181.6	1252.3	1262.3	1105.6	1121.1	1220.5	1321.3
Sea	399.2	525.4	537.2	642.2	657.8	826.7	1003.6	1003.9
Foreign arrivals by first								
port of entry	1381.4	1707.0	1789.5	1904.5	1763.4	1947.8	2224.1	2325.2
New Providence	867.0	1024.8	1060.6	1090.9	989.8	983.3	1284.1	1407.7
Grand Bahama	354.3	469.2	508.2	540.0	484.4	670.6	667.1	626.8
Other Family Islands	160.1	213.0	220.7	273.6	289.2	293.9	272.9	290.7
Foreign arrivals by type								
of visitor	1381.4	1707.0	1789.5	1904.5	1763.4	1947.8	2224.1	2325.2
Stopover & day visitors	965.5	1177.1	1235.4	1295.0	1147.8	1222.0	1364.0	1412.0
Day visitors	74.2	93.9	106.0	113.7	117.2	120.9	124.0	102.0
Stopover visitors	891.3	1083.2	1129.4	1181.3	1030.6	1101.1	1240.0	1310.0
Cruise visitors	352.9	449.6	476.2	577.6	596.9	719.6	854.0	908.0
Transits (includes discrepancy)	63.0	80.3	77.9	31.9	18.7	6.2	6.1	5.2
Number of tourist days (thousands)	6630.3	8049.9	8468.5	9157.8	8204.6	8334.1	9130.9	9477.8
Stopover days	6203.2	7506.4	7886.3	8434.5	7471.9	7487.5	8146.8	8462.6
Day visitors	74.2	93.9	106.0	145.7	135.8	127.0	130.1	107.2
Cruise visitors	352.9	449.6	476.2	577.6	596.9	719.6	854.0	908.0

Sources: Ministry of Tourism; and mission estimates.

Table 7.2: BAHAMAS - GEOGRAPHIC DISTRIBUTION OF TOURISM, 1977-84

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Stopover visitors by country of residence (percent)								
United States	73.9	75.7	75.4	74.8	76.8	82.7	84.8	86.7
Canada	15.9	13.2	11.9	11.0	10.6	7.5	7.0	6.5
Europe	7.2	8.0	9.0	9.7	7.5	5.2	3.6	2.9
of which: Germany	4.7	5.6	6.1	3.3	2.4	1.2	0.7	...
United Kingdom	1.6	1.5	1.7	3.2	2.8	2.0	1.5	...
Other	3.0	3.1	3.7	4.5	5.1	4.6	4.6	3.9
Length of stay by country of residence (in nights) a/								
United States	5.72	5.67	6.15	6.25	6.34	6.02	5.86	5.86
Canada	8.07	8.21	8.86	9.35	9.76	10.27	10.19	9.73
Europe	9.23	9.66	10.90	10.67	11.78	12.28	13.39	12.56
of which: Germany	8.80	8.76	10.23	11.56	13.00	14.53	15.18	12.63
United Kingdom	10.79	13.97	13.97	10.63	11.78	12.79	14.18	14.12
Other	9.47	9.04	9.10	8.97	9.22	8.83	8.70	8.18

a/ Average length of stay for stopover visitors only.

Sources: Ministry of Tourism; and mission estimates.

Table 7.3: BAHAMAS - TOURIST EXPENDITURE AND HOTEL CAPACITY, 1977-84

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Total tourist expenditure a/	371.2	445.3	505.5	577.7	632.2	654.4	770.3	818.3
(millions of Bah\$)								
Stopover visitors	349.3	417.4	474.6	538.9	592.6	606.3	711.1	755.6
Day visitors	4.3	5.4	6.1	7.0	8.5	8.9	10.1	8.4
Cruise visitors	17.6	22.5	24.8	31.8	31.1	39.2	49.1	54.3
Average tourist expenditure (Bah\$)								
Daily expenditure per tourist	55.98	55.30	55.76	59.44	72.65	73.71	79.04	80.69
Daily expenditure of stopover visitors	56.31	55.61	60.18	63.89	79.31	80.97	87.29	89.29
Expenditure per visit of cruise visitors	49.87	50.04	52.08	55.06	52.10	54.47	57.49	59.80
Expenditure of other visitors	...	...	...	48.04	62.59	70.08	77.63	78.36
Hotel room capacity b/								
New Providence	5.3	5.2	5.2	5.3	5.4	6.2	7.1	7.2
Grand Bahama	3.8	3.8	3.9	3.9	4.2	4.0	3.9	3.9
Other Family Islands	2.2	2.0	2.3	2.2	2.3	2.2	2.2	2.4
Hotel occupancy rates (%)								
New Providence	60.7	69.3	72.2	69.1	59.8	58.2	63.3	61.6
New Providence	66.6	76.9	83.0	75.4	64.8	60.8	71.9	66.8
Grand Bahama	58.1	65.4	65.5	67.2	58.0	58.8	54.9	58.6
Other Family Islands	37.3	41.6	48.1	49.2	44.9	45.1	42.8	43.3

a/ Official estimates of tourist expenditure for the period before the second quarter of 1980 have been adjusted downward by 10 percent; beginning in the second quarter of 1980 a new exit survey was introduced which removed a bias to the estimate of revenues arising from an overestimation of average spending in the Family Islands. A downward adjustment of Bah\$6.9 million was made in 1981 to correct a sampling error in the exit survey affecting the second quarter estimates.

b/ End of year.

Sources: Ministry of Tourism; and mission estimates.

Table 7.4: BAHAMAS - VALUE OF CONSTRUCTION STARTS AND COMPLETIONS, 1977-84

(In millions of Bahamian dollars)

	1977	1978	1979	1980	1981	1982	1983	Prel. 1984
Construction starts	27.5	42.0	72.3	136.9	125.1	164.0	110.6	128.3
Residential	20.2	28.6	56.3	55.1	49.0	68.8	79.1	84.8
New Providence	19.0	26.8	51.2	49.4	40.4	57.7	61.7	67.3
Grand Bahama	1.2	1.8	5.1	5.7	8.6	11.1	17.4	17.5
Commercial and industrial	6.6	12.7	15.3	80.1	71.2	94.1	29.3	37.0
New Providence	4.3	9.0	10.5	37.6	62.9	80.8	17.1	28.8
Grand Bahama	2.3	3.7	4.8	42.5	8.3	13.3	12.2	8.2
Government	0.7	0.7	0.7	1.7	4.9	1.1	2.2	6.5
New Providence	0.7	0.7	0.7	1.7	4.5	1.1	2.2	6.5
Grand Bahama	-	-	-	-	0.4	-	-	-
Construction completions	23.9	21.1	33.9	38.2	43.8	63.1	185.0	75.7
Residential	14.2	16.2	26.9	32.1	33.8	40.1	37.3	57.6
New Providence	13.3	15.6	25.0	28.8	29.7	35.4	31.7	47.8
Grand Bahama	0.9	0.6	1.9	3.3	4.1	4.7	5.6	9.8
Commercial and industrial	3.6	4.3	7.0	5.7	9.5	22.4	146.4	17.6
New Providence	2.4	3.5	4.8	3.4	4.9	18.2	138.1	10.3
Grand Bahama	1.2	0.8	2.2	2.3	4.6	4.2	8.3	7.3
Government	6.1	0.6	0.0	0.4	0.5	0.6	1.3	0.5
New Providence	6.1	0.6	-	0.4	0.5	0.6	0.9	0.5
Grand Bahama	-	-	-	-	-	-	0.4	-

Source: Department of Statistics.

Table 8.1: BAHAMAS - RETAIL PRICE INDEX FOR NEW PROVIDENCE, a/ 1973-84

(November-December 1971 = 100)

Period	Food	Housing	Clothing and Footwear	Trans- port	Health & Personal Care	Recrea- tion & Reading	Other Goods & Services	All Items
Weight	343	250	101	91	70	44	101	1000
<u>Average</u>								
1973	110.8	107.0	113.2	108.2	109.9	111.1	111.3	109.8
1974	131.5	115.5	127.3	123.8	118.3	122.8	123.4	124.2
1975	146.8	123.0	143.1	129.8	130.4	135.6	135.4	137.9
1976	151.1	127.6	152.8	147.2	139.4	144.3	141.0	142.9
1977	153.9	131.8	157.1	157.1	145.0	151.0	146.8	147.4
1978	166.5	135.9	166.9	169.1	153.9	157.1	153.4	156.5
1979	184.6	144.7	187.8	180.2	165.6	170.6	166.4	170.7
1980	212.5	158.4	216.9	201.1	180.9	181.4	178.6	191.3
1981	244.0	171.2	234.6	213.5	200.1	203.4	197.6	212.5
1982	260.5	180.8	252.6	225.9	212.1	209.0	205.9	225.4
1983	264.1	193.9	266.1	241.8	222.1	218.8	214.9	234.6
1984	268.7	203.2	282.0	252.4	237.7	227.3	224.7	243.8
<u>End of period</u>								
1973	119.9	110.9	119.0	110.7	113.8	115.0	116.4	115.7
1974	141.9	120.2	133.2	127.8	123.0	132.9	130.5	131.4
1975	148.6	125.0	147.7	142.7	139.2	139.0	137.5	139.9
1976	150.4	130.1	156.3	151.1	140.9	147.5	143.0	144.4
1977	158.3	133.7	159.8	163.2	147.6	152.9	151.0	151.0
1978	171.5	140.1	173.4	170.1	159.9	163.9	156.5	161.0
1979	197.2	149.8	202.6	186.1	171.1	174.9	173.0	179.6
1980	227.5	165.4	227.1	208.6	192.3	186.1	183.0	201.4
1981	255.0	175.4	238.7	217.3	207.4	211.5	202.7	219.5
1982	263.5	184.7	262.6	233.3	217.6	207.3	206.5	229.5
1983	267.2	197.4	272.2	241.8	223.9	219.1	214.7	237.5
1984	272.7	206.3	285.9	257.4	241.8	236.5	234.0	248.4

Source: Department of Statistics.

Table 9.1 - NATIONAL ACCOUNT PROJECTIONS - BASELINE SCENARIO

('000 B\$)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
GDP (market prices)	984.3	1047.5	1081.5	1122.1	1184.4	1223.5	1279.1	1335.9	1418.3	1484.8	1576.1	1650.1	1727.5
GDP growth		6.4	3.2	3.8	5.5	3.3	4.5	4.4	6.2	4.7	6.1	4.7	4.7
GDP deflator	157.9	162.9	167.8	174.5	184.1	194.2	203.9	213.1	222.7	232.7	243.2	254.1	265.6
Change in Deflator		3.2	3.0	4.0	5.5	5.5	5.0	4.5	4.5	4.5	4.5	4.5	4.5
GDP (m.p. nominal)	1553.8	1706.3	1814.6	1958.0	2180.4	2376.3	2608.5	2847.0	3158.6	3455.5	3833.0	4193.5	4587.8
GDP Growth (nominal)		9.8	6.3	7.9	11.4	9.0	9.8	9.1	10.9	9.4	10.9	9.4	9.4
Resource Balance	92.9	122.9	126.5	128.9	131.7	134.9	138.3	146.7	158.1	168.2	181.3	192.8	205.1
Exports GNFS	801.9	880.2	908.0	939.4	986.5	1017.5	1060.5	1104.4	1167.0	1218.1	1287.2	1343.8	1403.0
Imports GNFS	709.0	757.3	781.5	810.4	854.8	882.6	922.1	957.7	1008.9	1049.9	1105.9	1151.0	1197.9
Gross Investment	229.6	224.0	237.1	246.2	260.2	269.1	281.6	294.4	313.1	328.1	348.8	365.6	383.2
Public	64.3	29.5	60.4	62.9	66.7	69.2	72.6	76.2	81.3	85.5	91.3	96.0	101.0
Private	165.3	194.5	176.7	183.3	193.5	199.9	209.0	218.3	231.7	242.6	257.5	269.6	282.3
Consumption	661.8	700.6	717.9	746.9	792.4	819.6	859.2	894.8	947.1	988.5	1046.0	1091.6	1139.2
Public	149.5	157.5	161.5	167.6	176.9	182.7	191.0	199.5	211.8	221.7	235.4	246.4	258.0
Private	512.3	543.1	556.4	579.4	615.5	636.8	668.2	695.2	735.3	766.8	810.6	845.2	881.2
Domestic Savings	322.5	346.9	363.6	375.2	392.0	403.9	419.9	441.2	471.2	496.3	530.1	558.5	588.3
Net Factor Income	-80.8	-98.0	-97.5	-101.1	-106.8	-110.3	-115.3	-120.4	-127.8	-133.8	-142.1	-148.7	-155.7
Net Transfers	-6.8	-9.3	-15.5	-16.8	-18.7	-20.3	-22.3	-24.4	-27.0	-29.6	-32.8	-35.9	-39.3
National Savings	234.9	239.6	250.6	257.3	266.6	273.3	282.3	296.4	316.3	332.9	355.3	373.9	393.4

MACROECONOMIC INDICATORS

% GDP mp (real)													
Investment	23.3	21.4	21.9	21.9	22.0	22.0	22.0	22.0	22.1	22.1	22.1	22.2	22.2
Public	6.5	2.9	5.6	5.6	5.6	5.7	5.7	5.7	5.7	5.8	5.8	5.8	5.8
Private	16.8	18.6	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3
Consumption	67.2	66.9	66.4	66.6	66.9	67.0	67.2	67.0	66.8	66.6	66.4	66.2	65.9
Public	15.2	15.0	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9
Private	52.0	51.8	51.4	51.6	52.0	52.1	52.2	52.0	51.8	51.6	51.4	51.2	51.0
Domestic Savings	32.8	33.1	33.6	33.4	33.1	33.0	32.8	33.0	33.2	33.4	33.6	33.8	34.1
National Savings	23.9	22.9	23.2	22.9	22.5	22.3	22.1	22.2	22.3	22.4	22.5	22.7	22.8
% GDP mp (nominal)													
CG Current Revenue	20.2	20.4	21.2	21.1	21.1	21.3	21.7	22.0	21.9	21.9	21.8	21.8	21.8
CG Current Expenditure	20.5	20.0	19.9	19.9	19.8	19.8	19.7	19.7	19.7	19.6	19.6	19.5	19.5
CG Current Account	-0.3	0.3	1.3	1.3	1.3	1.5	2.0	2.3	2.3	2.2	2.2	2.3	2.3
Public Sector Current	1.5	4.0	4.3	4.2	4.2	4.3	4.7	4.9	4.9	4.8	4.8	4.8	4.8
Public Sector Overall	-4.6	1.2	-1.3	-1.4	-1.5	-1.4	-1.0	-0.8	-0.9	-0.9	-1.0	-1.0	-1.1
Internal Debt	18.3	18.2	19.9	21.7	22.4	23.2	23.2	21.7	20.1	18.9	17.7	16.9	16.2
Exports	74.2	74.1	73.0	74.9	75.7	77.0	78.8	80.9	80.6	80.3	80.0	79.8	79.6
Imports	64.7	42.8	62.0	63.3	63.8	65.2	66.9	68.7	68.5	68.6	68.7	68.9	69.1
Resource Balance	9.5	11.3	11.0	11.6	11.9	11.8	11.8	12.2	12.0	11.7	11.4	11.0	10.5
BOP Current Account	1.0	1.4	1.1	1.7	2.0	1.9	2.0	2.3	2.2	1.8	1.5	1.1	0.7
External Debt	15.3	12.3	10.1	7.6	5.3	3.7	2.3	2.4	2.5	2.6	2.7	2.8	2.8
Reserves/Imports (weeks)	6.4	7.9	7.5	7.1	7.0	7.1	7.3	8.8	10.2	11.2	11.8	12.1	12.1
Debt Service/Exports	3.7	4.4	3.9	4.3	3.5	2.9	2.4	0.5	0.4	0.5	0.5	0.5	0.5

Table 9.3 - PUBLIC SECTOR OPERATIONS - BASELINE SCENARIO PROJECTIONS

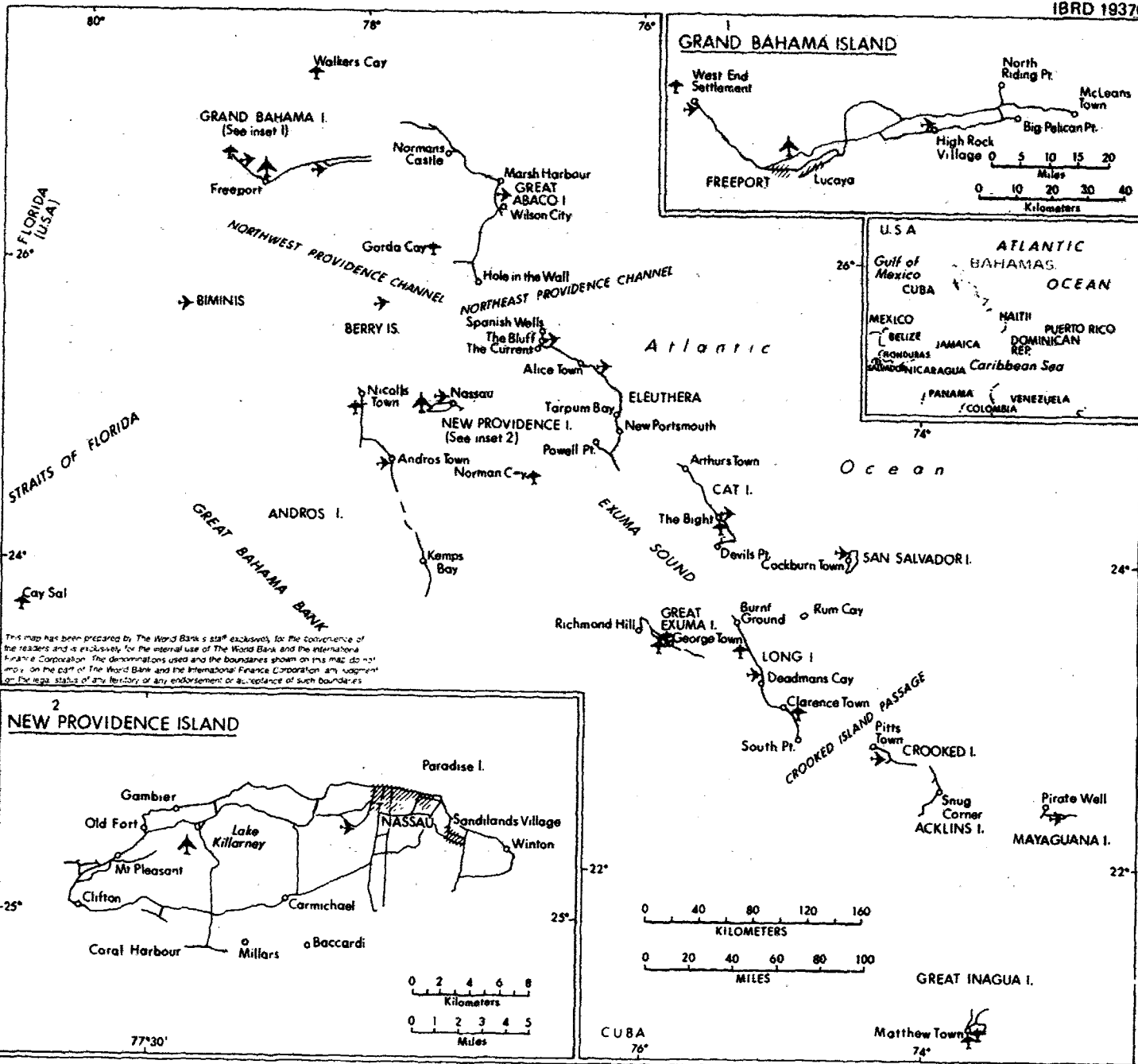
('000 B\$)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Central Government													
Current Revenue	314.0	347.3	385.4	413.9	460.8	506.5	567.0	626.7	692.0	755.6	835.9	913.5	998.8
Taxes on Trade	186.5	203.0	225.1	247.9	278.2	309.7	349.2	391.0	432.8	474.3	526.4	577.6	634.1
Tourism Taxes	27.2	30.2	35.9	37.1	39.2	40.4	46.2	48.3	51.4	53.9	57.3	60.0	62.9
Property Taxes	9.0	10.3	14.0	15.7	17.4	19.0	20.9	22.8	25.3	27.6	30.7	33.5	36.7
Other taxes	30.7	30.4	32.3	34.9	38.8	42.3	46.4	50.7	56.2	61.5	68.2	74.6	81.7
Non Tax Revenue	60.6	73.4	78.0	78.3	87.2	95.1	104.3	113.9	126.3	138.2	153.3	167.7	183.5
Current Expenditure	318.6	342.1	361.1	389.1	432.1	470.1	515.0	561.1	620.9	678.0	750.2	819.1	894.4
Wages and Salaries	166.7	184.3	190.4	205.2	227.8	247.9	271.6	295.8	327.4	357.5	395.6	431.9	471.6
Goods and Services	111.7	114.3	126.3	135.3	154.3	168.4	187.2	207.1	233.4	257.9	289.1	318.2	349.9
Interest	40.2	43.5	44.4	48.7	50.0	53.8	56.3	58.1	60.1	62.6	65.5	69.0	72.9
Current Account Balance	-4.6	5.2	24.3	24.8	28.7	36.3	52.0	65.6	71.1	77.6	85.7	94.4	104.4
Capital Expenditure	19.2	10.4	50.6	54.9	61.4	67.2	74.0	81.2	90.6	99.5	111.0	122.0	134.1
Capital Transfers	3.5	9.5	14.4	10.0	7.0	4.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans/Advances	53.9	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-81.2	-18.1	-40.7	-40.1	-39.7	-34.8	-23.0	-15.5	-19.5	-22.0	-25.3	-27.6	-29.7
Public Corporations													
Operating Revenue	205.9	249.6	257.8	272.7	296.8	317.5	341.9	367.1	399.7	430.7	469.4	506.1	545.7
BEC	66.1	75.2	74.1	79.8	88.7	96.5	105.7	115.1	127.4	139.1	153.9	168.1	183.5
BHC	34.8	52.0	56.1	57.4	60.6	62.5	65.3	68.2	72.6	76.0	80.9	84.7	88.7
BTC	47.9	55.5	59.0	63.6	70.6	76.8	84.1	91.7	101.5	110.8	122.6	133.8	146.1
WSC	14.7	15.5	16.6	17.9	19.9	21.6	23.7	25.8	28.5	31.2	34.5	37.7	41.1
BBC	3.9	4.4	5.0	5.4	5.9	6.5	7.0	7.7	8.4	9.3	10.1	11.2	12.2
Bahamasair	38.5	47.0	47.0	48.6	51.2	53.7	56.1	58.6	61.4	64.3	67.4	70.6	73.9
Operating Expenditure	177.5	185.7	204.7	215.7	234.9	252.3	271.9	291.9	317.0	341.3	371.0	399.9	431.2
BEC	53.5	52.5	58.3	62.8	69.8	75.9	83.1	90.6	100.2	109.5	121.1	132.3	144.4
BHC	29.9	34.3	32.5	32.5	34.3	36.2	38.0	39.7	41.5	43.3	45.3	47.3	49.5
BTC	32.0	34.4	46.0	49.6	55.0	59.9	65.6	71.5	79.1	86.4	95.6	104.3	113.9
WSC	12.7	13.1	13.5	14.5	16.2	17.6	19.3	21.0	23.2	25.3	28.0	30.6	33.4
BBC	4.9	4.5	5.1	5.5	6.1	6.6	7.3	7.9	8.8	9.6	10.6	11.6	12.6
Bahamasair	44.5	46.9	49.3	50.8	53.5	56.1	58.6	61.2	64.2	67.2	70.4	73.8	77.3
Operating Balance	28.4	63.9	53.1	57.0	61.9	65.3	70.0	75.2	82.8	89.4	98.3	106.2	114.6
BEC	12.6	22.7	15.8	17.0	18.9	20.6	22.5	24.6	27.2	29.7	32.8	35.8	39.1
BHC	4.9	17.7	23.6	24.9	26.3	26.3	27.3	28.5	31.1	32.7	35.6	37.4	39.3
BTC	15.9	21.1	13.0	14.0	15.6	16.9	18.5	20.2	22.4	24.4	27.0	29.5	32.2
WSC	2.0	2.4	3.1	3.3	3.7	4.0	4.4	4.8	5.3	5.8	6.4	7.0	7.7
BBC	-1.0	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-0.4	-0.3	-0.5	-0.4	-0.4
Bahamasair	-6.0	0.1	-2.3	-2.2	-2.3	-2.4	-2.5	-2.6	-2.8	-2.9	-3.0	-3.2	-3.3
Capital Transfers	57.4	12.9	14.4	10.0	7.0	4.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Expenditure	76.5	38.8	50.9	54.9	61.4	67.2	74.0	81.2	90.6	99.5	111.0	122.0	134.1
Overall Balance	9.3	38.0	16.6	12.1	7.5	2.1	-3.0	-6.0	-7.8	-10.2	-12.7	-15.8	-19.5
Consolid. Public Sector													
Current	23.8	69.1	77.4	81.8	90.6	101.6	122.0	140.8	153.9	166.9	184.1	200.6	218.9
Central Government	-4.6	5.2	24.3	24.8	28.7	36.3	52.0	65.6	71.1	77.6	85.7	94.4	104.4
Public Corporations	28.4	63.9	53.1	57.0	61.9	65.3	70.0	75.2	82.8	89.4	98.3	106.2	114.6
Capital Expenditures	95.7	49.2	101.5	109.8	122.9	134.3	148.1	162.3	181.1	199.0	222.1	244.0	268.2
Central Government	19.2	10.4	50.6	54.9	61.4	67.2	74.0	81.2	90.6	99.5	111.0	122.0	134.1
Public Corporations	76.5	38.8	50.9	54.9	61.4	67.2	74.0	81.2	90.5	99.5	111.0	122.0	134.1
Overall Balance	-71.9	19.9	-24.1	-28.0	-32.2	-32.7	-26.0	-21.5	-27.3	-32.1	-38.0	-43.5	-49.3
Surplus NIB	28.5	31.6	22.4	23.6	25.7	27.4	30.2	32.1	35.4	37.5	41.3	43.8	46.4
External Financing	6.2	-27.5	-25.5	-35.5	-32.2	-29.0	-28.1	8.3	11.3	11.3	12.3	13.3	14.3
Domestic Financing	37.2	-24.0	27.2	39.9	38.7	34.3	23.9	-18.9	-19.4	-16.7	-15.6	-13.6	-11.4
Internal Debt	284.1	311.2	360.8	424.3	488.7	550.5	604.6	617.8	633.8	654.6	680.3	710.5	745.4

Table 9.4 - EXPORT AND IMPORT PROJECTIONS - BASELINE SCENARIO

('000 B\$)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Exports (constant)													
Total Goods	184.6	232.9	240.5	249.5	263.3	272.0	284.4	297.0	315.3	330.1	350.4	366.9	384.1
Tourism	507.8	527.1	546.1	566.7	598.1	617.9	645.9	674.7	716.2	749.8	795.9	833.3	872.4
Other Services	109.5	120.2	121.4	123.2	125.1	127.6	130.1	132.7	135.4	138.1	140.9	143.7	146.5
Total Exports	801.9	880.2	908.0	939.4	986.5	1017.5	1060.5	1104.4	1167.0	1218.1	1287.2	1343.8	1403.0
Export Price Indices													
Total Goods	132.5	128.0	121.6	130.1	139.2	149.7	161.2	173.4	181.2	189.4	197.9	206.8	216.1
Tourism	151.7	155.3	160.7	172.0	184.0	197.8	213.1	229.3	239.6	250.4	261.6	273.4	285.7
Other Services	126.5	123.0	127.3	136.2	145.8	156.7	168.7	181.6	189.7	198.3	207.2	216.5	226.3
Total Exports	143.9	143.6	145.9	156.2	167.2	179.8	193.7	208.5	218.0	227.9	238.3	249.1	260.4
Exports (nominal)													
Total Goods	244.7	298.2	292.4	324.6	366.6	407.1	458.4	515.2	571.5	625.3	693.6	758.8	830.1
Tourism	770.3	818.3	877.8	974.6	1100.7	1222.3	1376.2	1546.7	1715.9	1877.2	2082.3	2278.1	2492.4
Other Services	138.5	147.8	154.6	167.8	182.3	199.9	219.6	241.0	256.9	273.8	291.3	311.1	331.6
Total Exports	1153.5	1264.3	1324.8	1467.0	1649.6	1829.3	2054.2	2302.8	2544.3	2776.3	3067.8	3348.0	3654.1
Stopover Visitors	1240.0	1310.0	1354.5	1400.6	1476.8	1547.1	1616.5	1689.1	1769.5	1853.7	1941.9	2034.4	2131.2
Growth in Visitors		5.6	3.4	3.4	5.4	4.8	4.5	4.5	4.8	4.8	4.8	4.8	4.8
Cruise Visitors	984.1	1015.2	1086.3	1162.3	1237.9	1296.8	1362.0	1417.6	1475.4	1535.6	1598.3	1663.5	1731.4
Stopover nights	8146.8	8462.6	8736.8	9032.8	9525.3	9824.0	10264.9	10725.6	11413.0	11956.3	12719.6	13325.1	13959.3
Stopover Expenditure	458.7	476.5	492.0	508.7	536.4	553.2	576.0	604.0	642.7	673.3	716.2	750.3	786.1
Cruise Expenditure	49.1	50.6	54.2	58.0	61.7	64.7	67.9	70.7	73.6	76.6	79.7	83.0	86.3
Average length stay	6.6	6.5	6.5	6.5	6.5	6.4	6.4	6.4	6.5	6.5	6.6	6.6	6.6
Imports (constant)													
Goods	413.8	450.7	465.3	482.8	509.6	526.4	550.3	569.9	598.0	620.5	651.0	675.4	700.8
Oil	49.9	55.0	56.4	58.1	60.7	62.3	64.6	66.7	70.2	72.8	76.4	79.2	82.2
Total Merchandise	463.7	505.7	521.7	540.9	570.3	588.7	614.9	636.8	668.2	693.3	727.4	754.7	783.0
Non Factor Serv.	245.3	251.6	259.8	269.5	284.5	295.9	307.2	320.9	340.7	356.6	376.6	396.3	414.9
Total Imports	709.0	757.3	781.5	810.4	854.8	882.6	922.1	957.7	1008.9	1049.9	1105.9	1151.0	1197.9
Import Price Indices													
Goods	140.7	142.4	141.7	151.6	162.2	174.4	187.8	202.1	211.2	220.7	230.6	241.0	251.9
Oil	226.3	220.7	220.7	220.7	220.7	243.4	268.5	296.2	326.7	367.4	413.2	464.7	522.7
Total Merchandise	149.9	150.9	150.2	159.6	168.5	181.7	196.3	212.0	223.3	236.1	249.8	264.5	280.3
Non Factor Serv.	126.5	122.9	131.5	140.7	151.3	163.0	175.3	186.7	197.2	206.0	215.3	225.0	235.1
Total Imports	141.8	141.6	144.0	153.0	162.7	175.5	189.3	204.2	214.5	225.9	238.0	250.9	264.6
Imports (current)													
Goods	582.1	641.6	659.4	732.0	826.7	918.1	1033.7	1151.8	1263.0	1369.4	1501.4	1627.8	1765.0
Oil	112.9	121.4	124.5	128.3	134.0	151.7	173.4	198.0	229.2	267.5	315.6	368.3	429.8
Total Merchandise	695.0	763.0	783.9	860.3	960.7	1069.7	1207.1	1349.9	1492.2	1636.8	1817.0	1996.1	2194.7
Non Factor Serv.	310.3	309.3	341.7	379.3	430.4	478.9	538.7	605.4	671.6	734.8	815.1	891.7	975.5
Total Imports	1005.3	1072.3	1125.6	1239.6	1391.1	1548.6	1745.8	1955.2	2163.9	2371.6	2632.1	2887.8	3170.3



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BAHAMAS

- MAIN ROADS
- ✈ INTERNATIONAL AIRPORTS
- ➔ MAJOR AIRFIELDS
- ↑ MINOR AIRFIELDS